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ROSETTA EXPLORATION INC. [ANNUAL REPORT 2002]

Challenge your Assumptions



Rosetta Exploration Inc. is founded upon a single mission: to be the best vehicle for equity investors wanting real exposure to high risk/high reward natural gas exploration. Since late 1999, we've been assembling a portfolio of high reward Prospects

We have a passion for exploring new ideas; we dare to look at the Basin in a different light with our Science & Technology and New Play Types

Our adherence to sound risk management principles and efficient portfolio theory drives us towards drilling only our best ideas

With a strong belief system that ensures the team profits only when shareholders and partners do, our corporate mantra is to deliver a high return on capital

2002 Highlights

Rosetta entered the drilling phase of its business plan, while continuing to create new Prospects in 2002...

- We added 242 BCF (P50) of new drillable Prospects into our Prospect Portfolio – at a cost of two cents per MCF of potential**
- By year end 2002, after three-and-one-half years' work, our Prospect endowment stood at 959 BCF (P50), with 988 BCF of Leads approaching Prospect status**
- We safely drilled a 14,350 foot critically sour Swan Hills test at Strachan (5-17) – previously called 'Luxor Amun Prospect' in earlier reports**
Unfortunately the Swan Hills test was wet
- We safely drilled a 10,600 foot Elkton test at Strachan (1-21) – previously called 'MC Prospect' in earlier reports**
Unfortunately the Elkton test was wet
- We converted a portion of our Deep Basin land interest into a royalty on the Meota Leduc test well at 9-9-59-2W6M**
- Combined, the Rosetta and Meota wells represent \$23 million of drilling expenditures on our lands in 2002**
- We commenced the licensing process on our Crossfield 801 BCF (P10) Swan Hills test for possible drilling in 2003**

CEO and

Dear Fellow Shareholder,

Prior to the discovery of the Rosetta Stone, the interpretation of hieroglyphics was underpinned by many thoughtful assumptions. The Rosetta Stone proved these assumptions to be incorrect. More importantly, the knowledge that came from challenging those assumptions became the key to unlocking thousands of years of human history.

Rosetta Exploration was founded to challenge assumptions. Our team, board and you the shareholder came together for this reason.

Our business plan itself challenges two fundamental assumptions. One is the assumption that the Western Canadian Sedimentary Basin is a mature basin with few large pools left to be discovered. The second is the assumption that a little company can't succeed at a big company game. This report is about how well we're progressing in challenging those assumptions.

Is the Basin fully explored?

Our Basin has been and is being explored by many very bright geoscientists, but ...

... we see 215 Devonian exploration wells being drilled within our 70,000 square mile Area of Interest in the past 12 years as evidence that the Basin isn't yet fully explored at the Devonian level.

Our belief is that challenging the geological assumptions of the Basin requires interrogating the accepted models of deposition to consider New Play Types. Such interrogation demands advances in science if we're going to achieve better answers. We call these approaches the pursuit of Competitive Advantage.

Significant and hard fought advances have been made within the Competitive Advantage aspect of our business plan these past 12 months.

New Science

Interrogation requires brightly lit 'shining lights' to illuminate the sands of time. The pursuit and support of New Science and Technologies are our 'shining lights'.

Several of our 'shining lights' compel us to challenge the fundamental assumptions underlying seismic.

Seismic is accepted technology that increases the chances of exploration success but, the statistical increase in success is quite pale given the task at hand. It can be argued that seismic has increased worldwide exploration success rates from 10% to 15%. Percentage-wise that's a significant increase but 85% leaves a lot of room for failure. For this reason we're challenging many of the underlying assumptions of how seismic is acquired, processed and interpreted.

One example of this is our licensing of an embryonic new approach to seismic processing some 20 months ago.

This new software science for seismic involves a cycle of pure research, alpha and beta testing, and redefinition and refinement.

It's expected that Rosetta's recent phase of testing will be completed by the end of June 2003. At that time we'll evaluate our options: termination, further testing or initial deployment into trial use. Rosetta has an exclusive license to this service in our Area of Interest, subject to Rosetta meeting certain commitments.

President's Message

New Play Types

Our methodical pursuit of New Play Types is at the root of interrogating the existing assumptions that underlie the accepted depositional models. A re-sifting through the sands of time.

In the New Play Type segment of our Business Plan, we're working on a Worldwide Analogue not tested in western Canada, a new Leduc Concept and a new way of looking at the Swan Hills formation.

Our Worldwide Analogue is delivering its first Prospect (300 BCF - P10) upon which we now own a portion of the critical land. The more in-depth we study the producing analogues in other petroleum basins of the world, the more encouraged we become.

Our Leduc Concept made significant geological advances these past 12 months. We continue to hold the idea to high scrutiny. During the remainder of 2003 our goal is to convert this New Play Type into three Leads (each greater than 100 BCF).

Our Swan Hills 'Satellite' is providing us much 'food for thought' within the discipline of Swan Hills geology. This 'Satellite' was only formed in July of 2002 and has resulted in us undertaking a 16,000 square mile regional study.

We balance our New Play Types with pushing the conventional geology envelope
Our conventional geology queue is producing a rich array of Prospects and Leads with our new Cheops Leduc Prospect (P50 - 122 BCF) our new Horus Swan Hills Prospect (P50 - 120 BCFE), several new Nisku ideas, a new Montney idea, a new Swan Hills Lead called Alexandria (P50 - 100 BCF) and, progress on our Ra Leduc Lead (P50 - 136 BCF).

By challenging our assumptions we've put seven large conventional ideas into our Prospect inventory. We drilled two of these in 2002, currently leaving five large Prospects to be drilled. We also have six Leads that could become large Prospects and eight Play ideas in the 10-120 BCF category. We're closing in on the goal we set for ourselves three years ago of developing an efficient portfolio of large Prospects.

Drilling results for 2002

By now you're aware that our first deep well's primary Swan Hills objective at Strachan (5-17) was wet, but you may not be aware that it did deliver us some vital successes.

On the technical side, it challenged the conventional assumption that the formation should be tight. A new seismic interpretation method we deployed was proven correct and the 5-17 well did indeed discover porosity where we had predicted it. The post drilling assessment also indicated we did have the critical pressure break from the wet 6-34 well to the south (re-drilled by Apache in 2001 as 11-34) we'd forecast with our seismic interpretation and pressure work.

Drilling targets in 2003?

Current plans for 2003, subject to well licensing, will see us drill the first exploration well on our Crossfield Prospect (code named Cleopatra in previous reports).

Our Crossfield Prospect has been four years in the making and we've assembled 18,000 net acres of land on the idea. The potential size of the prize is as large as 800 BCF and the target is in the Swan Hills formation. We're currently engaged in the public consultation process preceding our well license application. Rosetta is dedicated to continuing its reputation of being a safe and responsible operator of critically sour wells in the Province in which we all live.

We're also dedicating ourselves to getting another of our sizeable Prospects drilled this year: Cheops Leduc and Horus Swan Hills are at the top of the list.

Cash to fund our pursuits?

We completed an equity offering in November for \$6,350,000 and entered 2003 with \$10 million in the bank. This is a small amount of capital resources given the game we're playing. We want to drill enough wells to have a statistical chance of success. To have adequate resources for these purposes Management is continually balancing raising new equity, partner participation and asset monetization. Management also looks to generate cash and cash flow with our

strategic land position.

For example, last year we retained a royalty on a \$12 million Meota Leduc test at Bolton on our Deep Basin lands. This year we've entered into a farmout with Cinch Energy that will see them drilling one well on our Deep Basin acreage (total expenditure of \$3 million - with us carried through the first well).

Also, both of the Strachan 5-17 and 1-21 wells are currently being evaluated for the purposes of being tied in to generate cash flow. Further activity at Strachan this year could see us drill our 10-28 test of a Mississippian anomaly at the southern extent of our lands.

Thanks to everyone for challenging the assumptions

It's only possible to challenge assumptions of this magnitude with a dedicated team, and that we have. Special thanks go to our Exploration Advisory Board. These gentlemen gave invaluable input and guidance throughout 2002 – helping us to drill a safe critically sour well, evaluate our New Play Types and, guide the development of New Technology. It's with sadness that we bid our Chairman of this body, Curt Hartzler, adieu. Having said that, we wish Curt well in the launch of his new career piloting a new energy company and we look forward to Rosetta doing business with him in the future.

*... potential for success is not in the hunt
... it's in the hunter ... now zeroing in on
its target ... and challenging the
assumptions ...*



Jim Malcolm
Chairman & CEO
March, 2003

Glenn Gradeen
President & COO
March, 2003

Progress 2002

Summary

2002 saw us begin drilling our portfolio of Prospects with two exploratory wells, advance our Competitive Advantages – including the addition of a New Play Type, and, add two new large Prospects to our portfolio.

The Evolution of our Prospects

During the year, new information caused us to eliminate Aswan, a structural Prospect which had P50 potential of 43 BCF on an unrisked basis. Based on a new interpretation, our Nile Prospect, a structural idea, saw its P50 unrisked estimated reserves size potential fall by 111 BCF, to 80 BCF.

These re-evaluations and the drilling of two Prospects was counterbalanced by the addition of two new 120 BCF Prospects. The results of these adjustments to our Prospect inventory saw our endowment shrink by 50 BCF, to 959 BCF, on an unrisked P50 basis.

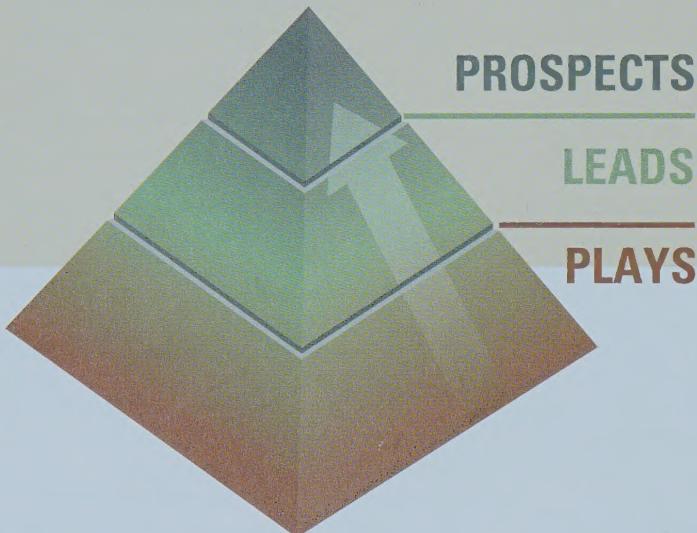
Leads Inventory Grew

In 2002, we added six new leads, (P50 potential of 610 BCF on an unrisked basis) which increased our Lead endowment by 217 BCF. At year end, we had nine Leads, and we expect to have the first of several New Play Type Leads move to Prospect status in the first half of 2003.

Geophysical and Land Base Grew

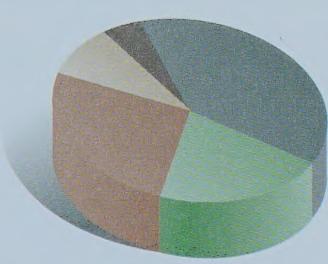
Our geophysical understanding of our projects was strengthened through the addition of 504 kilometres of 2D seismic.

Growing our Current Portfolio of Prospects ...

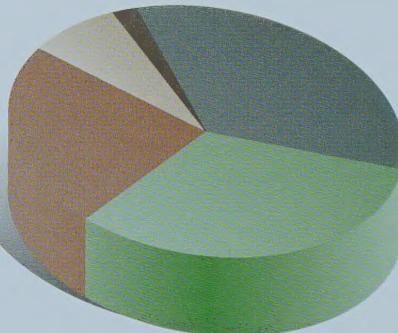


... is the result of investments ...

1999 Capital Expenditures



2000 Capital Expenditures



... that have moved Leads to Prospects

1999

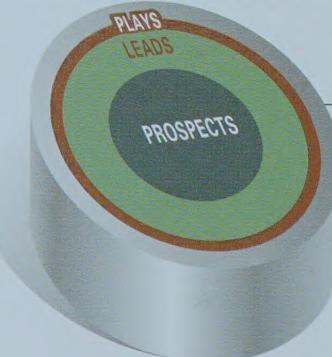
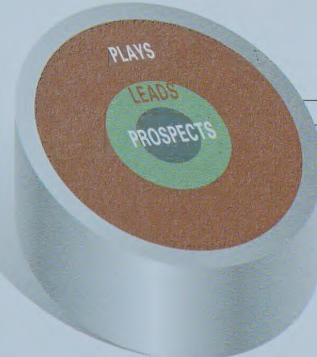
Gross Unrisked Volume in BCF
Prospect-Lead-Play Status

Unrisked Expectation	Total
P90 5 50 356	411
P50 50 500 3,564	4,114
P10 100 1,000 7,128	8,228

2000

Gross Unrisked Volume in BCF
Prospect-Lead-Play Status

Unrisked Expectation	Total
P90 92 431 70	593
P50 368 2,790 700	3,858
P10 1,224 5,688 1,400	8,312



In our pursuit to ensure a high degree of ownership on our ideas, we added 13,334 net acres to our land holdings – 92% of which cover Prospects and Leads. In total, Rosetta now holds 250,957 gross (145,731 net) acres in western Canada.

Successful Major Equity Financing in November 2002

We raised \$6.35 million in new equity in November to fund our prospecting and drilling initiatives through 2003. The placement was oversubscribed and the team, Board of Directors, existing shareholders and associates participated for \$2.5 million of the financing.

A Word on Dilution

Just prior to the financing we had every hope that our Strachan Swan Hills test well would be a success – and therefore eliminate the need for new equity capital going forward. Management and the Board carefully weighed the dilutive effects of new equity against the possibility of

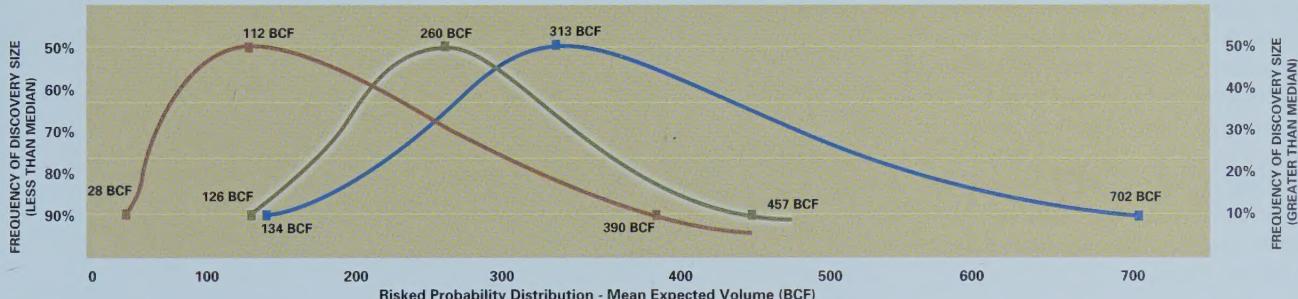
making a major discovery at Strachan, versus having zero-to-partial success. Given that the primary target zones at Strachan were unsuccessful, raising \$6.35 million to partially re-capitalize the company was the right choice.

Preparation for 2003 Drilling

We began the licensing process in the fourth quarter of 2002 for a large Prospect in the Crossfield area, which is classified as 'critically sour.' It will take 9 to 12 months to secure a drilling license – assuming the emergency planning process proceeds smoothly. It's our goal to drill at least two large Prospects per year as we move forward.

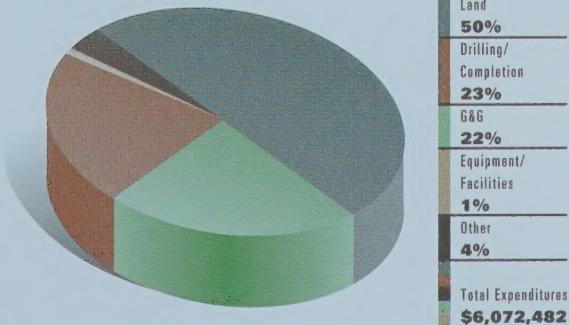
Let's review our 2002 drilling ...

December 2000 Prospects December 2002 Prospects December 2001 Prospects

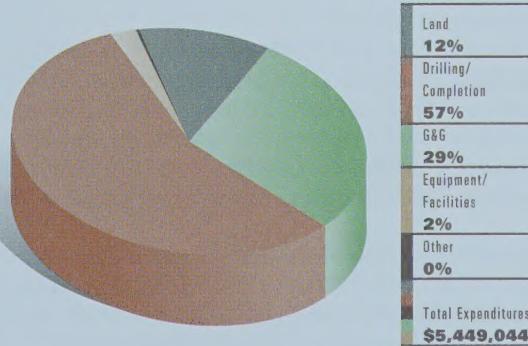


* Please note that in the 2000 annual report we displayed the sum of unrisked P10/P50/P90 potential reserves estimates for each Prospect.

2001 Capital Expenditures



2002 Capital Expenditures



2001

Gross Unrisked Volume in BCF		
Prospect-Lead-Play Status		
Unrisked Expectation	Total	
P90 422 85 702	1,209	
P50 1,009 771 2,421	4,201	
P10 2,291 1,556 4,971	8,818	

2002 - 7 Prospects

Gross Unrisked Volume in BCF		
Prospect-Lead-Play Status		
Unrisked Expectation	Total	
P90 439 232 108	779	
P50 959 988 459	2,406	
P10 1,753 2,310 1,260	5,323	

5-17 Drilling Results

On July 27, 2002, Rosetta and drilling partners spudded the 5-17-38-9W5M exploratory Swan Hills test well near Strachan, in western Alberta. It marked our first high impact Prospect drilled.

The 5-17 well was drilled safely, and was unsuccessful in its primary target zone. Drilling information and testing from the shallower horizons compelled Rosetta and partners to commence completion operations on the well.

Drilling 5-17 provided valuable information and corroboration of our hypotheses

In exploration, we look for *porosity* (the open space within the reservoir rock), *permeability* (the capacity of reservoir rock to allow fluids to move), *structure* (the subsurface feature which we can map and believe expresses the three dimensional shape which contains the hydrocarbon accumulation), *petroleum charge system* (an effective source of hydrocarbons and a migration mechanism for hydrocarbons from the source rock(s) to the reservoir rock), and, *trap* (something impermeable to prevent the hydrocarbons from leaving the rock). *The 'only' geological precondition to success we did not achieve in 5-17 was trap.*

The 5-17 target zone proved to be wet, and was subsequently abandoned. However, drilling, logs, geological and pressure data have confirmed a number of our hypotheses upon which the Prospect was based:

- High Porosity Found in the Swan Hills Margin - confirms our seismic attribute work - a Rosetta Competitive Advantage interpretation technique. Our particular insight suggests we have a technique which will help us find porosity in carbonates under certain specific circumstances. Unfortunately, the porosity contained more water than hydrocarbons.
- Structure - formation tops in the well generally came within five metres of prognosis, verifying the presence of significant structure at the 5-17 location. This is a credit to the geophysical interpretation considering that we were drilling through over 4 kilometres of sediment. A subsequent independent analysis provided further confirmation of a structure – and that Rosetta was at or near the top of the structure.
- Pressure Break Present - The confirmation of a separate pressure system from the 11-34-37-9W5M well to the south confirmed our pressure work and a permeability break between the two wells, again postulated as a result of our extensive seismic interpretation.



Setting gauges on the control panel



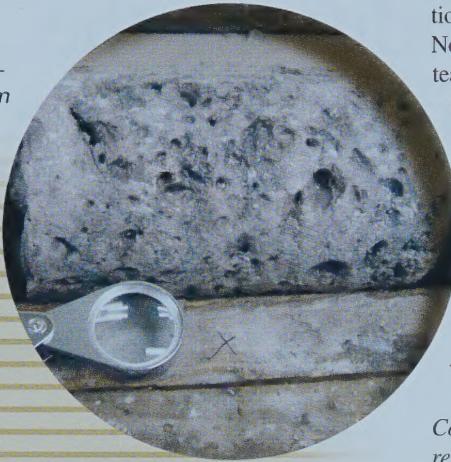
Intermediate casing about to make a 4 kilometre journey into the earth

The 5-17 Swan Hills Prospect was well supported with 3D seismic, our Competitive Advantage seismic attribute work, geology based on eight penetrations of the Beaverhill Lake, Swan Hills and/or Slave Point within a township of the Prospect, and extensive pressure work. The geological model was further supported by geological, pressure and production information from our 2-22-38-9W5M well producing from the Slave Point platform, on which the Swan Hills carbonate bank rests.

A critically sour well, 5-17 was operated by Rosetta and took 117 days to drill through 31 geological formations to total depth of 4375 metres (14,350 feet) at a total cost of \$8.01 million. This includes all field related costs of lease preparation, mobilization, drilling, casing to 3770 metres and abandonment plugs over the deeper section of the hole.

The core sample: theory becomes tangible

A site for sore eyes; the 5-17 core sample taken from 4290 metres below the earth's surface confirms extraordinarily high porosity. This rock was formed 375 million years ago, when Alberta was underneath a vast tropical sea.



One of many 5-17 site visits. Members from the Rosetta team, Exploration Advisory Board and Board of Directors join in.



About to make a rig safety inspection.

5-17 was the culmination of years of geophysical and geological postulation. When the core from 5-17 was brought to surface and viewed on November 7, we at long last had a tangible piece of evidence—and the team and partners were ecstatic with it. The core was highly porous and the hydrocarbon liquids exhibited fluorescence under ultraviolet light.

Some observations which we made that further encouraged us at the core stage:

- Limited calcite present - normally present in abundance in wet Swan Hills reservoirs, however it was only present in minuscule quantities in the core and the sample cuttings. This suggested the absence of water.
- Limited anhydrite present - present in many wet Swan Hills reservoirs but absent in gas reservoirs. Not present in 5-17.

Conclusion – Our Science is working to reduce risk – but there still remains exploration risk.

1-21 Drilling Results

Progress 2002

On November 4, Rosetta and drilling partners spudded the first well of our Mississippian / Cretaceous ("MC") Program, Strachan 1-21-38-9W5M. 1-21 was primarily a dual zone test but had other targets including the Elkton, Shunda, and the Second White Specks.

Although not as deep as the 5-17 well, 1-21 was still considered deep by conventional industry standards; it was TD'd at a depth of 3253 metres (10,600 feet) and was cased. The rig at the site was released some 48 days later, on December 22, 2002.

1-21 was drilled safely, and was unsuccessful in its target zone. Drilling information and testing from the shallower horizons compelled Rosetta and partners to commence completion operations.

Building an excellent reputation through safety and integrity

From preparatory work and the drilling of the Strachan wells, we take with us an excellent reputation developed with residents, who appreciated our proactive approach and integrity, and with industry partners, who saw our commitment to safety and accident-free well sites.

Well completions to generate cash

In the second quarter of 2003, we finished completion operations on the 5-17 and 1-21 wells on all zones except for the Cardium. Potential tie in of both wells is awaiting analysis of the final completion results.

A Closer Look at How 2002 Lays the Groundwork by Solidifying the Building Blocks upon which we Explore

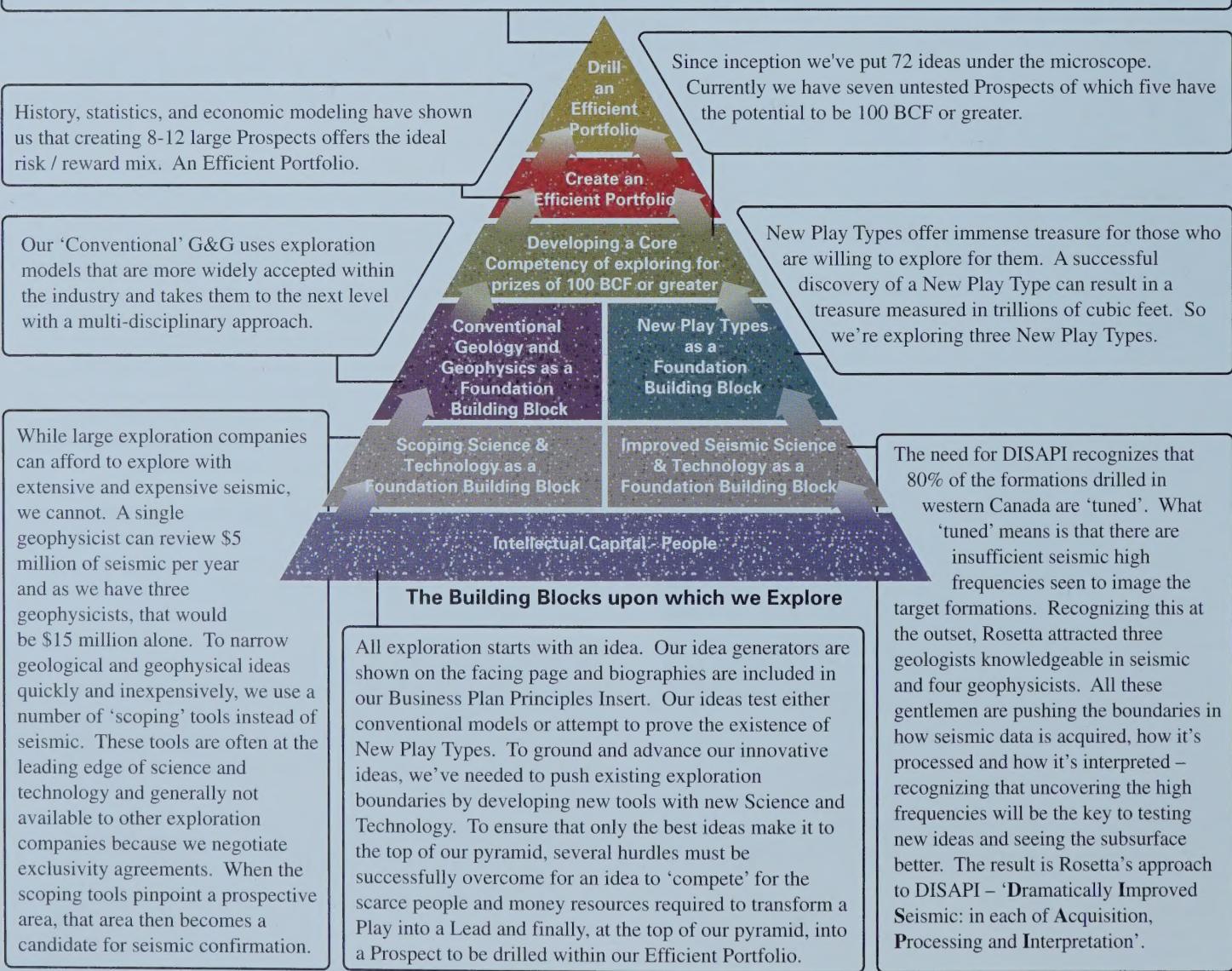
"They are poor explorers, those that think there is no land, when they can see nothing but water." - Sir Francis Bacon

This quote challenges us as a company - and it challenges the industry assumptions that there are few, if any, large discoveries left to be made in the Basin. Rosetta's goal is to explore for and discover 100 BCF prizes in a Basin where industry has only made six such discoveries during the last 10 years. Since we're a small company with targets normally associated with large companies, we must develop new methods of exploration if we're to be successful in making 100 BCF discoveries. Rosetta believes

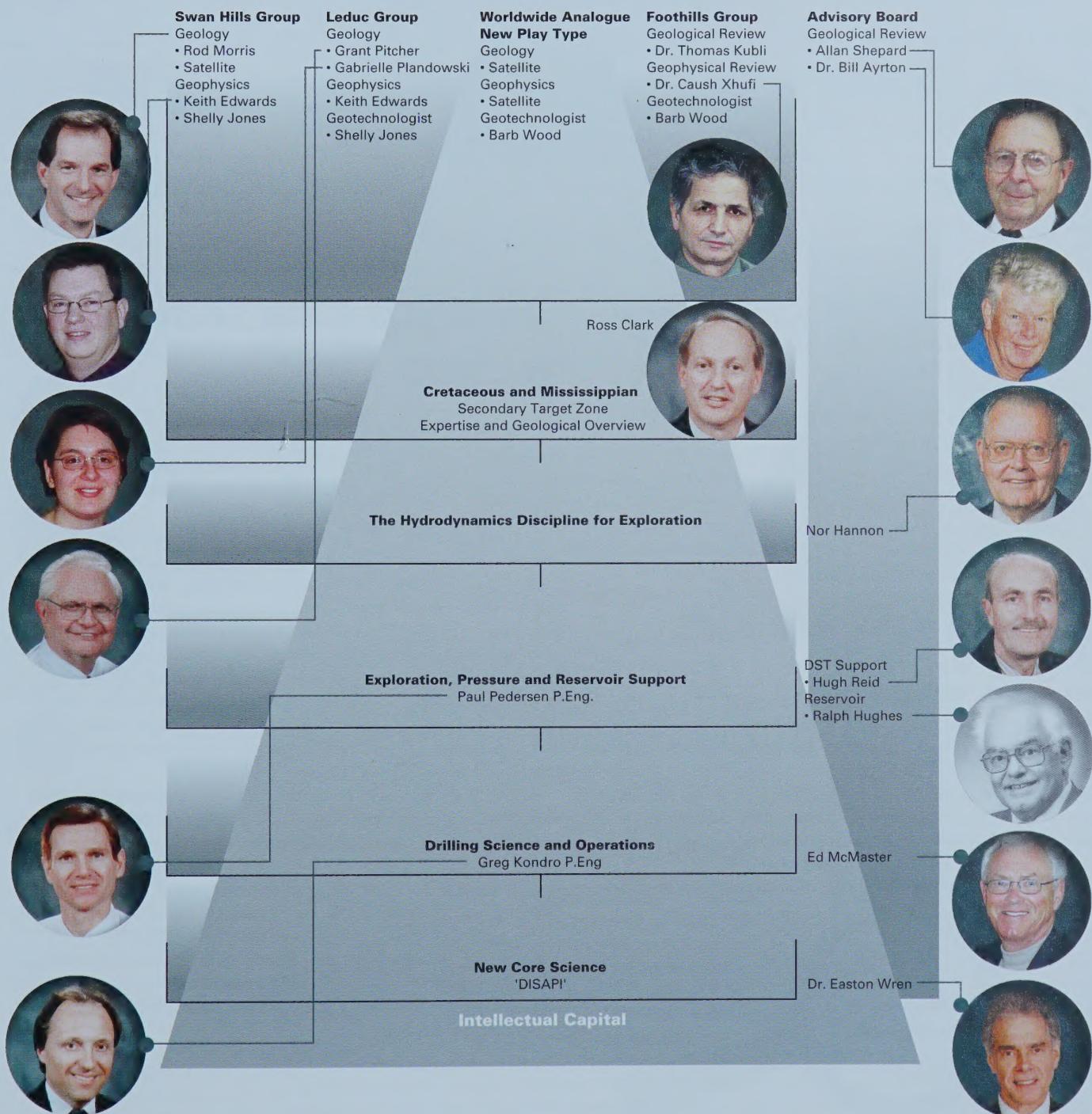
there are significant large pools yet to be discovered in western Canada - and history shows us that the tools to usher in a new era of discoveries are strong Intellectual Capital, New Play Type ideas, and new Science & Technology.

... so we're creating a new map ... we need to challenge many assumptions ... because we believe the shoreline lies just over the horizon.

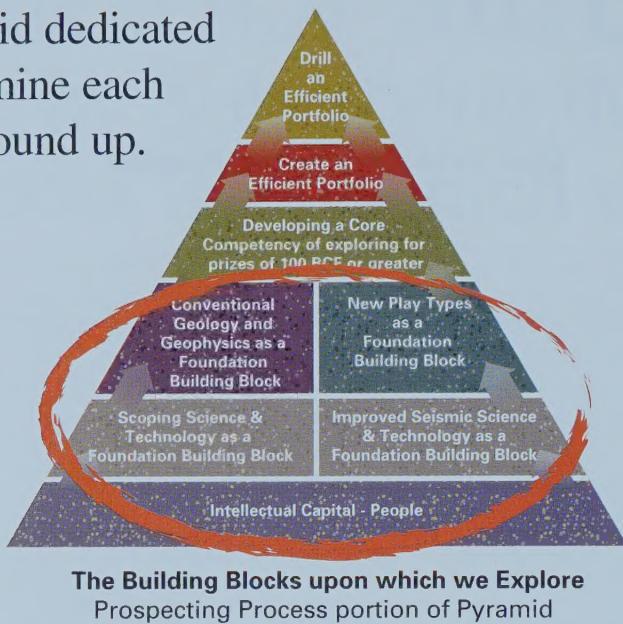
We plan to drill 8-12 large Prospects to test our ideas. Last year we drilled two – with a goal of two more exploratory tests for 2003, and at least two exploratory tests each year thereafter.



Our Value Creation Teams



Let's look at our pyramid dedicated to prospecting and examine each component from the ground up.

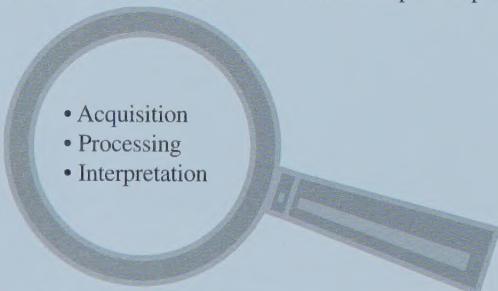


The Foundation of New Science & Technology

We introduced you to our first prospecting building block on the previous page - our people. The next building block upon which we explore is Science & Core Technology.

Rosetta continued in 2002, and now in 2003, to seek and experiment with new 'scoping' tools to lower our finding costs. Another key to our future success will be an outgrowth of what we've been learning about seismic since 2001 through the first half of 2003.

Seismic can be seen within the context of its three component parts:



Science & Core Technology- A Closer Look:

In 2002 we learned a great deal about a superior way to acquire seismic and how to identify trade seismic that has been acquired in a superior fashion.

The key is to marry this knowledge of superior acquisition with a **superior processing work flow** and methodology. In the middle of 2001, Rosetta made a bold move to license some, then, embryonic new approaches to seismic processing which could be coupled with external processing. The past 20 months have seen a constant flow of inventions and testing which, today, brings us to a significant new testing phase. If these new rounds of testing are encouraging, Rosetta could have a unique ability to see the subsurface more clearly than the industry has in the past. In exchange for continuing to make certain payments and commitments, Rosetta has certain exclusive license rights to this service in our Area of Interest.

Rosetta is also focusing on challenging various assumptions about **superior ways to interpret seismic**. This challenge led us to 'see' porosity in the 5-17 well four kilometres below the earth's surface which we, originally, didn't believe possible (see page 6). Should our new processing workflow be successful, then, again, we'll have to challenge our assumptions on how to examine the subsurface.

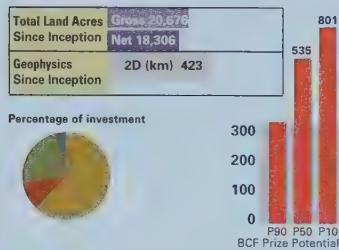
Our goal of applying seismic more rigorously (DISAPI - Dramatically Improved Seismic: in each of Acquisition, Processing and Interpretation) to reduce risk and increase our chance of success is squarely in our focus. We're pressing for a full implementation by the second half of this year.

Prospects*

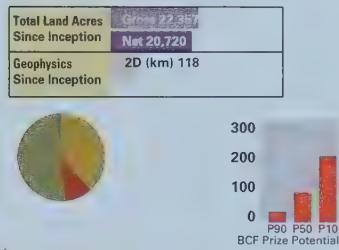
Luxor Area Group of Prospects

Total Land Acres	Gross 77,520
Since Inception	Net 14,035
Geophysics	2D (km) 165
Since Inception	3D (km) 207

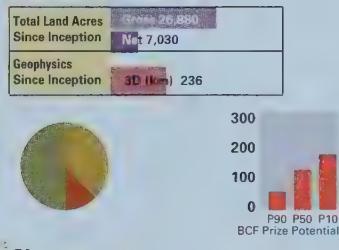
Cleopatra Swan Hills \$3,647,000



Nile Structural \$1,253,000



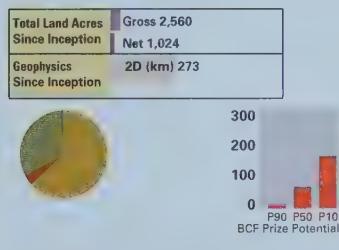
New: Horus Swan Hills \$419,000



New: Cheops Leduc \$830,000



Giza Leduc \$1,541,000



* Total investment values for all Prospects and Leads include Capital Expenditures plus allocated G&A from July 1999 to December 31, 2002.

Conventional & New Play Type Prospecting-A Closer Look:

Conventional Exploration

Prospects and Leads

Prospects: That portion of our G&G team that pushes the limits of the conventional depositional models has generated two significant new Prospects over the past twelve months. They've added a new Swan Hills Prospect called Horus, which could be 120 BCF to 180 BCF in size. They've also added a new Leduc Prospect called Cheops which could be 122 BCF to 300 BCF in size.

Leads: We're close to controlling another Swan Hills Prospect we call Pharoh, which could be 250 BCF to 500 BCF in size and completing our preliminary technical review of Alexandria (100 BCF - 300 BCF). We're also working hard to complete our seismic evaluation of two Leduc Leads upon which we now hold significant amounts of land: Ra (136 BCF - 250 BCF) and Tut (122 BCF - 300 BCF). Our Camel Lead (50 BCF - 150 BCF) is being evaluated within the context of a 25% interest we acquired with a major.

New Play Types

A fundamental part of our Business Plan is to challenge the assumptions underlying the existing models of deposition within the Basin. We do respect all the work done by those who've gone before us – and we believe their pioneering spirit would be heartened by us questioning their assumptions. For example, the Swan Hills exploration success rate, even with today's science, is only 14% to 18%. We believe this low success rate justifies us questioning the traditional model vigorously.

Therefore, in 2002 we added a New Play Type driven by a geologist that is questioning the traditional Swan Hills model. Over the past seven months he's served up enough questions to justify the re-think. This has led to a 16,000 square mile regional study that we've undertaken and which we hope to have preliminary information on by mid-year. We call this New Play Type 'Orlando'.

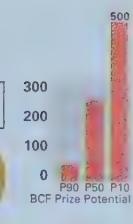
Orlando is an accompaniment to our other two New Play Types: 'the Squid' and 'California'.

The Squid is a new Leduc depositional concept. Rosetta made significant progress in scrutinizing this idea from first principles over the past 15 months. In 2002 we assigned three teams to fully evaluate the hypothesis underpinning the project: two internal and one external. One internal team was the proponent of the idea and the second used the conventional model to disprove the proponent. The external team was an American group that deployed a proprietary methodology in evaluating the project. After many man months of work, all three teams produced separate studies that concluded the new concept had serious merit. The project then received further scrutiny by our Exploration Advisory Board and our outside geological satellites. These reviews all resulted in us focusing in on one 'tentacle' of the Squid, with a goal of developing three to six Leads (each with 100 BCF of potential) this year.

Leads

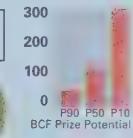
New: Pharoh Swan Hills \$106,000

Total Land Acres	Gross 1,280
Since Inception	Net 1,280
Work Completed (%)	
Geology and Geophysics	25



New: Alexandria Swan Hills \$409,000

Geophysics Since Inception	2D (km) 36
Work Completed (%)	
Geology and Geophysics	40



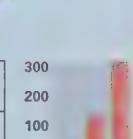
New: California - Joshua New Play Type \$155,000

Work Completed (%)	
Geology and Geophysics	75



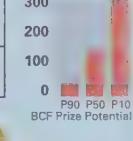
New: California - Monterey New Play Type \$40,000

Total Land Acres	Gross 480
Since Inception	Net 432
Geophysics Since Inception	2D (km) 9
Work Completed (%)	
Geology and Geophysics	75



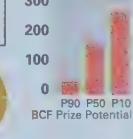
Tut Mississippian \$1,221,000

Total Land Acres	Gross 25,600
Since Inception	Net 20,208
Geophysics Since Inception	2D (km) 208
Work Completed (%)	
Geology and Geophysics	50



Ra Leduc \$228,000

Total Land Acres	Gross 1,600
Since Inception	Net 1,600
Work Completed (%)	
Geology and Geophysics	50



Camel Structural \$391,000

Total Land Acres	Gross 7,090
Since Inception	Net 1,773
Geophysics Since Inception	2D (km) 30
Work Completed (%)	
Geology and Geophysics	80



Uncza Kaza Swan Hills \$141,000

Geophysics Since Inception	2D (km) 53
Work Completed (%)	
Geology and Geophysics	70





● Potential Size of New Play Type based upon lognormal distribution of possible reserves

New Play Types *continued*

The California project is not a New Play Type for the world but rather a well known play type worldwide which has never been tested in western Canada. The past 17 months have been spent intensively

studying the analogues of the world and examining our Basin for the presence of appropriate source rock and trapping conditions. As is to be expected with a new idea, we've spent hundreds of man hours on exhaustive regional studies spanning thousands of square miles, looked at miles of cores and cuttings and engaged a geophysical specialist to aid us in the scoping work. As is also to be expected, we've been able to eliminate four of the original early Leads, however, we have two strong Leads that continue to move inexorably forward. One such Lead, code named Joshua (100 BCF - 300 BCF), has advanced to the point where we've purchased a portion of the critical land. A second smaller Lead (10 BCF - 30 BCF) has also advanced to the point where we could test the idea 'for less'.

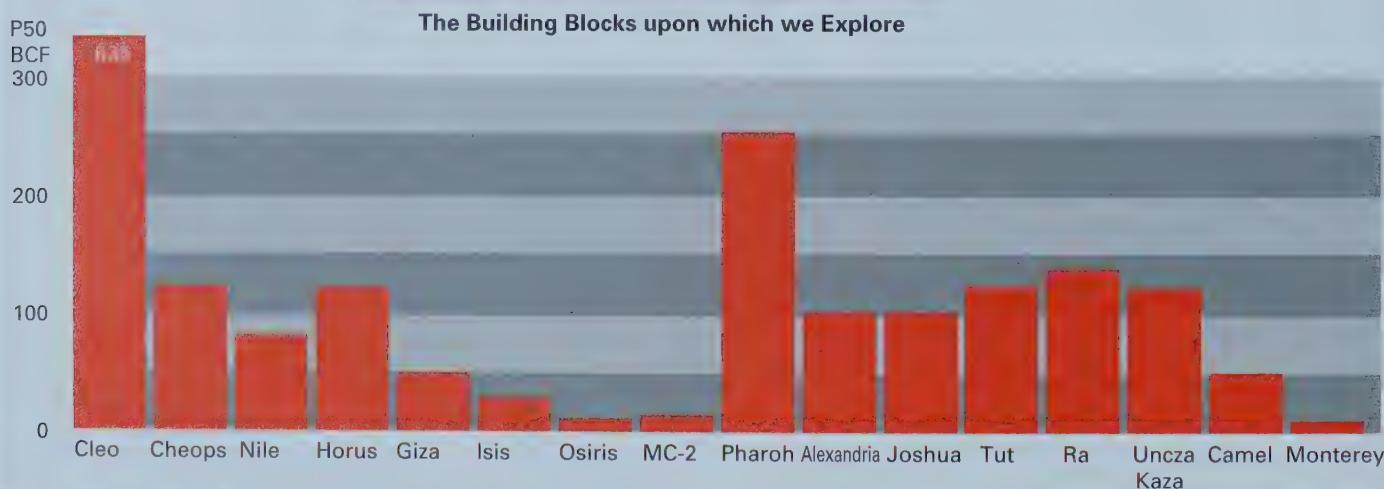
The Rosetta team recognizes the 'long odds' on successfully discovering three New Play Types, but we and our satellites have invested more than 25 man years investigating these new ideas because any one of them could result in watershed discoveries for us and the industry, as indicated by the preceding diagram.

Core Competency & Portfolio Management – A Closer Look:



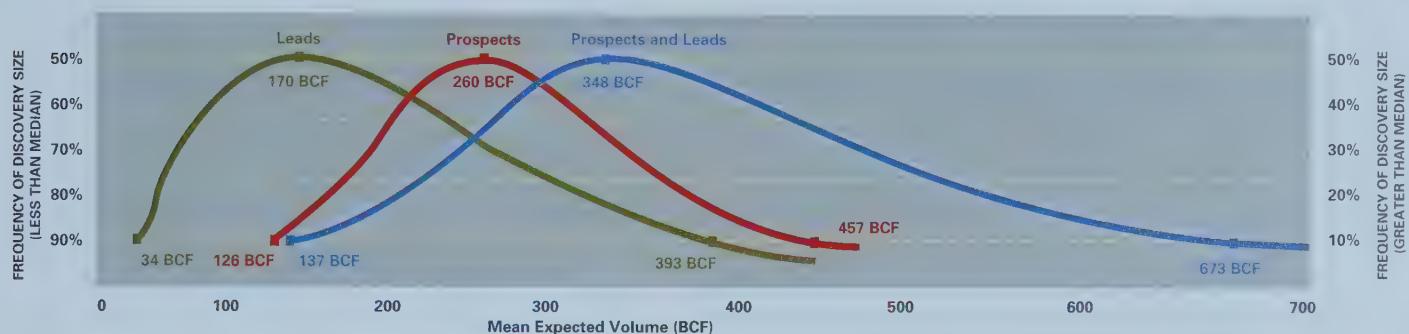
Developing a Core Competency of Exploring for 100 BCF Targets; the Heart of our Pyramid

The figure below is designed to show our shareholders the status of our Portfolio of Prospects and that portion of our Leads which could become Prospects in the remainder of 2003 and 2004 fiscal years. In the interests of balance, we provide our expectation case (P50) potential prize size, as opposed to the 'long odds' case (P10) potential prize size.

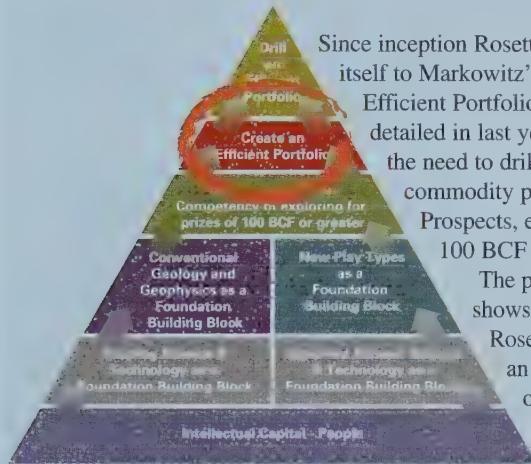


This next figure illustrates the risked mean expected volume of our Leads, our Prospects, and what our Leads and Prospects combined could look like (if our Leads continue to advance into Prospects).

Figure 1 Seven Prospects as at December 31, 2002



Creating a More Efficient Portfolio in 2003 and 2004



The Building Blocks upon which we Explore

The past twelve months shows great progress in Rosetta moving towards an Efficient Portfolio of large Prospects. The 2001 and 2002 figures to the right, comparing each projects' unrisked finding costs to its potential reserves size, illustrates this progress (note that our target area is the bottom right quadrant of the graph).

Cumulative Statistical Chance of Rosetta having a Discovery in Drilling an Efficient Portfolio

The adjacent figure shows the cumulative statistical chance of having some success in the idealized world of being able to drill all of our Prospects (including the second MC Program well) and six of our nine Leads which could become Prospects (assume 30% shrinkage of our Leads during the final filtering phase).

Figure 2 2001 Prospects Potential Unrisked Finding Costs vs. Potential Reserves Size

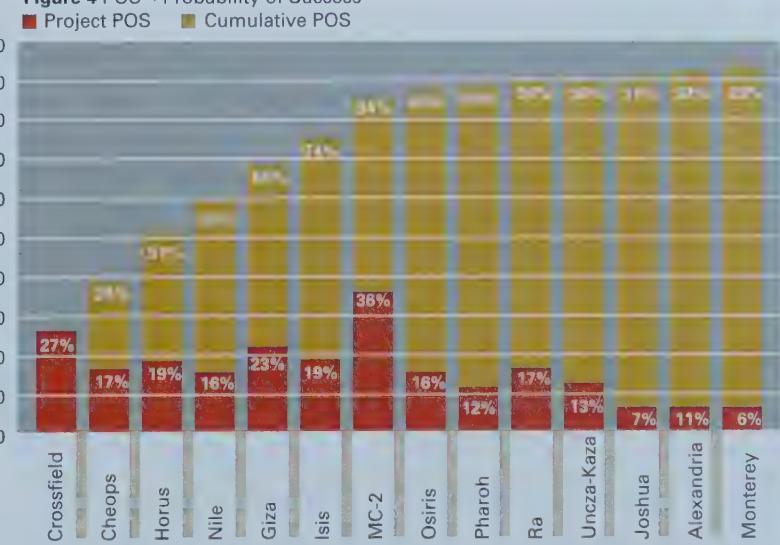


Figure 3 2002* Prospects and Leads Potential Unrisked Finding Costs vs. Potential Reserves Size

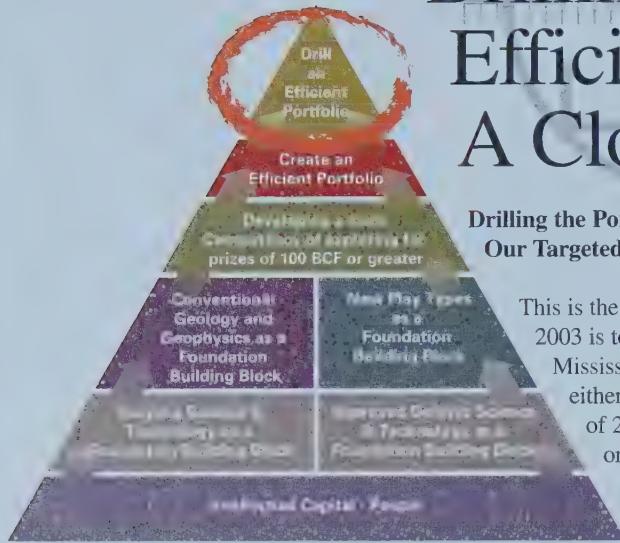


*Leads approaching Prospect status in white.
Red dots are existing Prospects. Labelled red dots denote our anticipated near term drilling plans

Figure 4 POS → Probability of Success

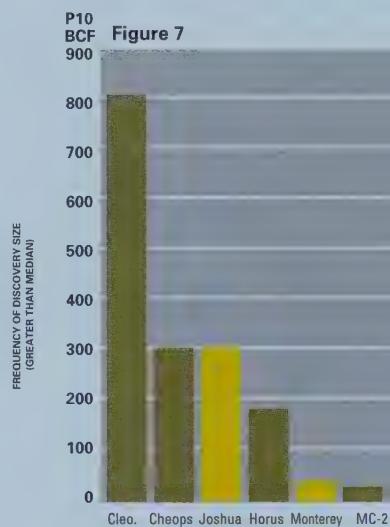
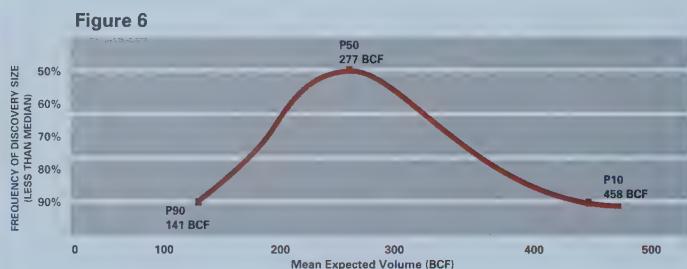
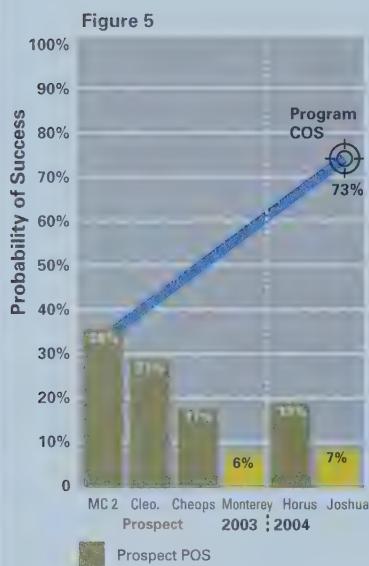


Drilling an Efficient Portfolio- A Closer Look:

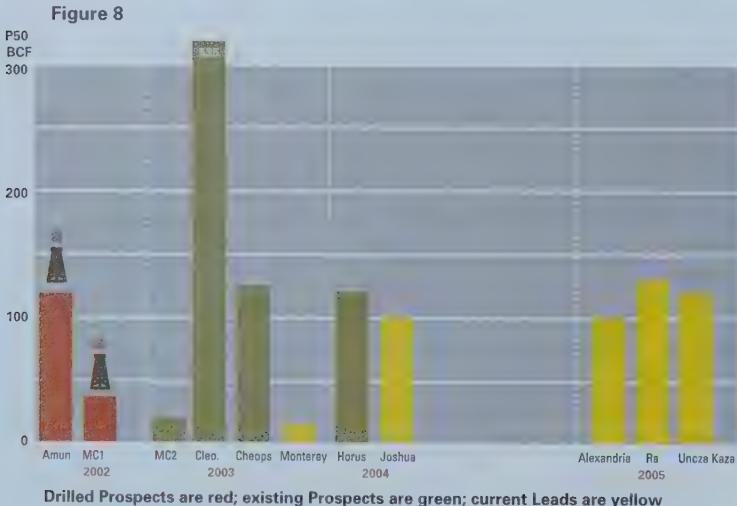


Drilling the Portfolio - Near term: Our Targeted Drilling in 2003 and Q1 2004

This is the pinnacle of what we do - the drilling phase. The goal of the Rosetta team in 2003 is to do a test of a small California Lead, drill the second well in our 2002 Mississippian/Cretaceous Program, drill our Crossfield (Cleopatra) Prospect and drill either (or both) Cheops and Horus. It's conceivable that if we include the first quarter of 2004, we could add to this drilling by drilling California-Joshua. The drilling order is dependent upon myriad factors and will be subject to changes as time progresses. The following figures show the cumulative chance of having some success from this drilling, the mean expected risked volume of drilling such a program and the possible (P10) size of each of these Prospects to be drilled.



Existing Prospects are shown in green; current Leads in yellow.



◀ **Drilling the Portfolio - Near to Mid term:
Our Targeted Drilling Plans 2002 through 2005**
This next figure is modified to show our historical drilling (2002) and a possible drilling program over late 2003 and early 2004. You'll note that the graph also includes an extension into 2005. This is consistent with our goal of drilling two large Prospects each year. Our expectation (P50) cases are provided.

A Closer Look: Cleopatra (Crossfield), Horus and California - Joshua

Cleopatra (also known as Crossfield) is regarded by our team as one of the better Swan Hills Prospects one can expect to see in a lifetime. Ranging in size, in Rosetta's opinion, from 535 BCF to 801 BCF, we've now been approached by two majors who've shared their belief that the size of the potential prize is considerably larger.



'X marks the spot' of our proposed Cleopatra Swan Hills exploratory well (located near Westcott, Alberta) - 801 BCF of potential. It's slated to be drilled in mid to late 2003.



Westcott Community Center – Rosetta's home base for public consultations regarding our proposed Cleopatra Swan Hills Prospect. Being a critically sour well, it poses unique challenges and complex safety preparations. Our preliminary discussions and presentations to date have elicited very favourable feedback from regulatory bodies and the public consultation process continues to be well received by residents.

Cleopatra Crossfield

Closer to being drilled – and just as much a land story as a geotechnical story

With a strong geological concept developed by one of Rosetta's full time finders and supported by 423 kilometres of 2D seismic, Crossfield is an idea that many team members consider to be the best technical Prospect they've seen in their careers.

From the outset we saw the challenge at Crossfield less as one of partnering, but more of having to control the land – and thus the lion's share of a potentially prolific Prospect.

Challenging Assumptions

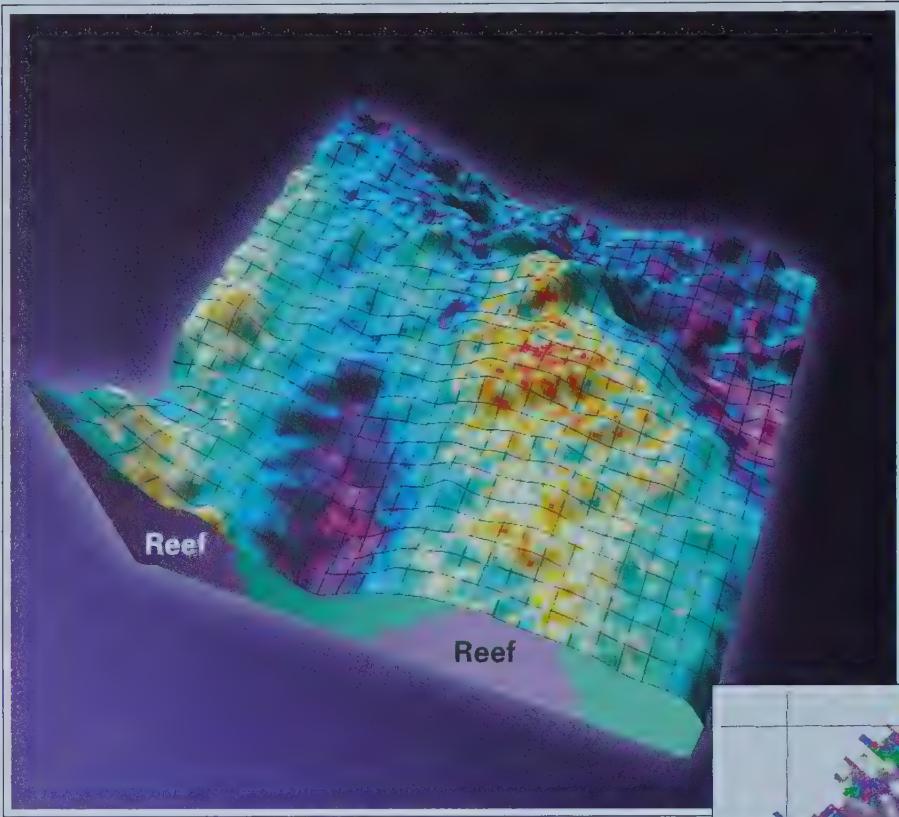
The land story began in March 2000. The challenge was to control an immense Lead concept area spanning 86 sections in an area notorious for complex 'checkerboard' freehold, crown and held-by-production lands. Many assumed that given the numerous conflicting interests involved, it simply could not be done, let alone by a small company.

Three years later, after some 13 strategic acquisitions, farm-ins and land poolings, Rosetta and partners now control over 20,000 gross acres (18,000 net acres), or 90% of the prospective pool mineral rights.

**Expected Reservoir Type:
Fossil Moldic Dolostones;
averaging 6-12% porosity**



Cheops is a Leduc buildup that is well defined by 3D seismic; supporting pressure and hydrodynamic evidence; and, analogues and successful Leduc discoveries within 20 miles of our location. The Prospect ranges from 122 BCF to 300 BCF in size. ▼



▲ Where would you drill?

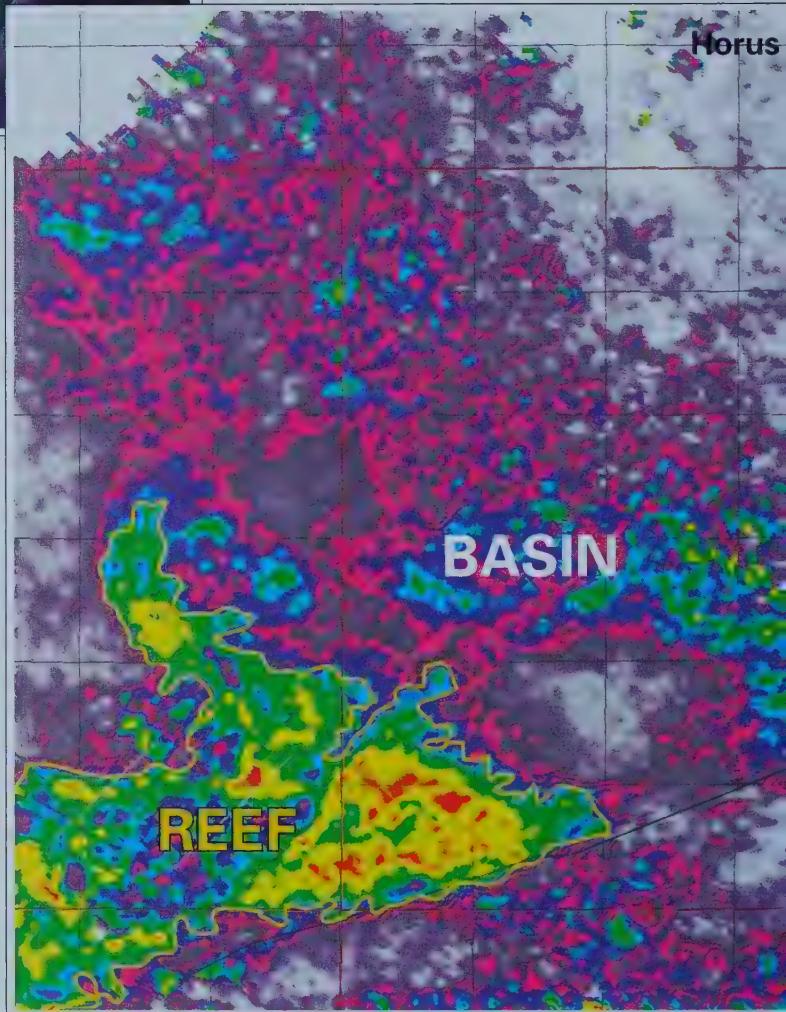
Modern 3D allows our geoscientists to visualize structure (see the mountains and valleys) and porosity (see the 'hot' colours). This picture is an image captured 3800 metres below the earth's surface.

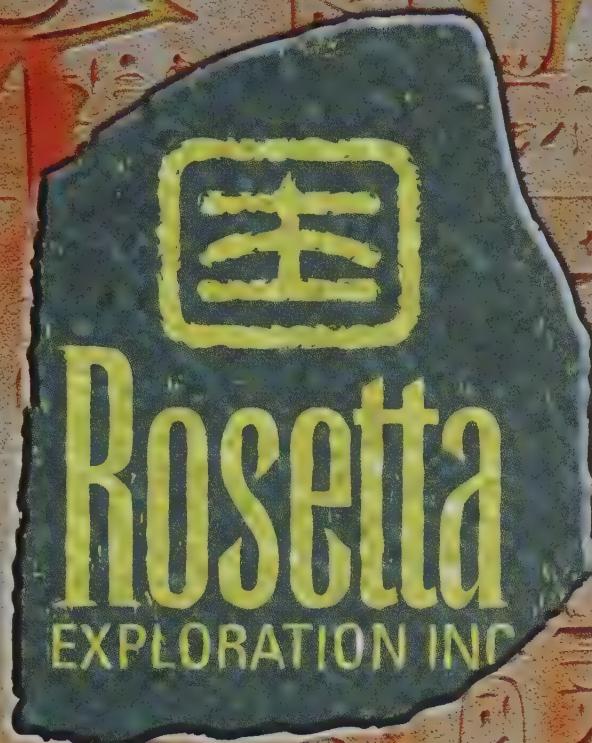
3D Seismic doesn't have to appear 3 dimensional; this is a 2D 'slice' of a 3D image.

Seismic waveform attributes extracted from 3D seismic help us map reefs that existed 380 million years ago and are now over 3800 metres beneath the earth's surface. ▼

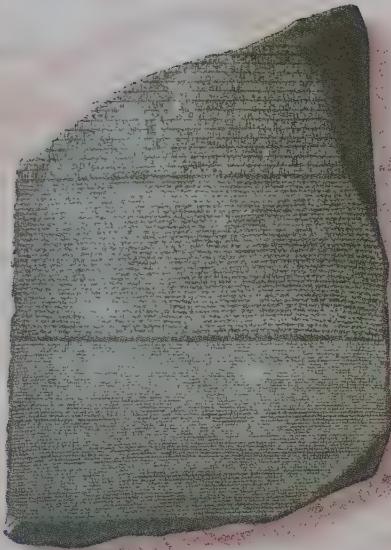
Horus is a classic Swan Hills porous carbonate bank edge well defined by 3D seismic and situated between an off-reef basinal well and back-reef lagoonal well. The seismic shows the porous reef edge very clearly and supports a potential prize of 120 BCF to 180 BCF. ▶

California-Joshua is a very advanced Lead that we are pushing towards Prospect status in 2003. Our objective is to test our California New Play Type on a smaller and shallower Lead, which we call Monterey, and use what we learn from that to test Joshua (up to 300 BCF) as soon thereafter as practical. Land assembly on both of these Leads is underway now.





Our Business Plan Principles



Over two hundred years ago, in North Africa, the discovery of a massive black basalt stone by French troops set forth a chain of events that would not only create new understanding, but re-write human history

Named after the small Egyptian village where it was unearthed, the inscriptions found on the Rosetta Stone were the key to the deciphering of Egyptian hieroglyphics, which until then had remained a mystery for more than one thousand years. The key to understanding an ancient civilization had been unlocked. And with new knowledge came a new perception of the world.

This feat would not have been possible without the perseverance, inquisitive nature and detective work of Thomas Young and Jean François Champollion.

Much like the men who set out and succeeded in 'cracking the impossible code' two centuries ago, our perseverance is unlocking the key—the knowledge—that will change exploration. Our detective work—our exploration—will seek the key to chart uncharted territory and unlock prizes of 100 billion cubic feet or greater.

Many of our exploration keys are being crafted by our own team, through the development of a series of Competitive Advantages. In the area of New Play Types, we ask 'what if' rather than limiting ourselves to 'what is.' In Science & Technology, we have pushed the envelope in taking exploration techniques to a new level.

To address the risk of exploration, we built a team with extensive experience in Devonian geology and an impressive track record of big discoveries. To this we added the disciplines of a risk management team.

To guide our path, we created a solid business plan built around six core strategies that we've progressed significantly in the past year.

This is our map of discovery, our Rosetta Stone.

We're on the right course. And we're sticking to the map. Here are the routes that will take us there, and our progress during 2002.

Our business plan is based upon a belief system that there are a significant number of greater than 100 BCF pools yet to be discovered in the Western Canadian Sedimentary Basin. We firmly believe that many of these will only be found by re-thinking the established approach to the Basin. To measure our progress and aid us in our quest, we've set the following metrics, and six core strategies to achieve our metrics.

Our Metrics:

- 1) An annual 21% after tax rate of return on capital employed;
- 2) A finding cost of under \$0.25/MCF;
- 3) Net reserves per share of 10 MCF and an aggregate enterprise value of \$360 million at the end of our drilling program

Our Six Core Strategies

Core Strategy No. 1

We are creating a Learning Organization of Strong Intellectual Capital:

Alfred Balm and Mike Pfeiffer, both well known business leaders, were appointed to our Board in September. We welcomed Keith Edwards to our team as a highly technical geophysicist. In addition to our full time team members, we engaged a consultant to lead the geophysics on our New Play Type called California, Dr. Thomas Kubli as a Foothills geological specialist, and a second satellite.

See biographies of the team starting on page 24.



Core Strategy No. 2

We Inverted and Strengthened the Intellectual Capital Hierarchy:

Twelve people are working full time at Rosetta to create wealth in 2003. With our Exploration Advisory Board, our two geological satellites and our geological and geophysical consultants, the number of wealth creators becomes 23. This group includes 11 geologists, 4 geophysicists, and 5 engineers and is overseen from a corporate governance perspective by 7 independent directors. Neither the Board of Directors nor the Exploration Advisory Board receives salaries, except the

Chairman of Rosetta, who works full time at the company.

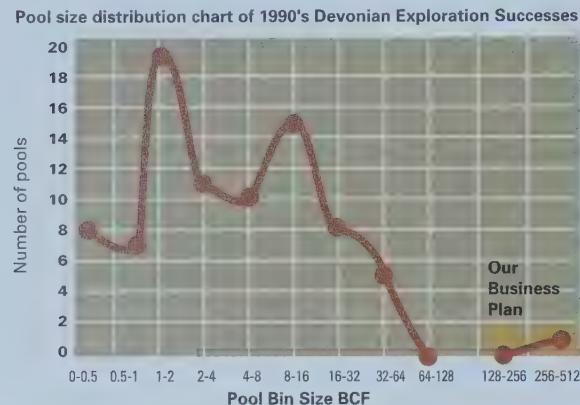
Chart Category	Total Expenditures July 1, 1999 to December 30, 2002
New Play Types	\$ 2,100,000
Competitive Technologies	\$ 1,200,000
Conventional Exploration	\$ 16,900,000
Operations	\$ 1,200,000
Drilling and Completions	\$ 5,300,000
G & A (Administration and Risk Management)	\$ 3,200,000
Total Expenditures	\$ 29,900,000
Acq./Divest	<\$1,900,000>
Net Expenditures	\$ 28,000,000

The table above describes Rosetta's investments from July 1999 to year end 2002. It shows that 89% of monies invested have been devoted to the wealth creation process.

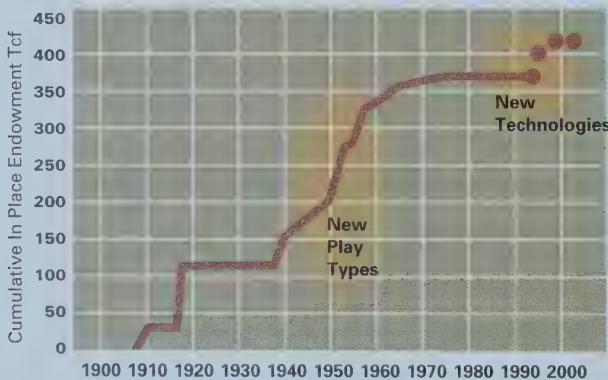
Core Strategy No. 3

We are Developing Sustainable Competitive Advantages:

Note that a distribution curve of the Devonian discoveries made during the 1990's shows that the number of BCF pool sizes in our target prize range (100 BCF or greater) is minuscule.



The graph below was adapted from the 1997 and 2001 reports of the Canadian Natural Gas Potential Committee on 'Natural Gas Potential in Canada.' It shows that the majority of New Play Types were discerned 40-50 years ago and resulted in epic discoveries. 1990's discoveries were more dependent upon the advent of new technologies, such as 3D seismic and horizontal drilling. Therefore, Rosetta's business plan



focuses on these two drivers of discovery—the development of our own New Play Types and New Technologies—our 'Competitive Advantages.' We believe them to be an imperative to our success.

New Play Types

Rosetta made significant progress over the past 15 months on its new Leduc idea (Squid) and its new Worldwide Analogue idea (California). California has held up to scientific scrutiny and began generating Leads in 2003. The Squid has one final series of scientific tests to withstand

and then the goal is to be creating new Leduc Leads by mid-year 2003. In mid-2002, Rosetta added a third New Play Type with the addition of a new Satellite who is the proponent of a new interpretation of the Swan Hills.

Our Core Technology and New Scoping and Seismic Methods

Scoping tools help us to define broad target areas without the use of seismic. We've experimented with seven such tools to date and continue to consider the use of four where appropriate. In 2003, one such tool is being used on a scoping study spanning 16,000 square miles. When a scoping tool successfully narrows our range of investigation into an area of prospectivity, we then use seismic to pinpoint specific target areas.

There are many steps to producing and using seismic, and there are several methods to choose from within each step. We challenge all those steps, which over time have become ingrained industry assumptions, to create the best exploration environment possible. The ideal would be to have all three seismic steps done in-house to promote excellence, as once was the way of the majors.

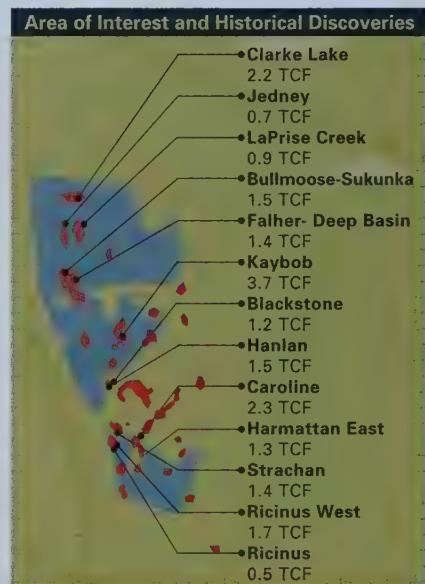
Rosetta has dedicated the past three years to improving each of the three aspects of seismic: how it's acquired, how it's processed, and how it's interpreted. We hope that by mid-2003 we will have completed sufficient testing to deploy our more rigorous approach to seismic into our exploration efforts.

We internally call this DISAPI for 'Dramatically Improved Seismic: in each of Acquisition, Processing and Interpretation.'

Core Strategy No. 4

We are Focusing on Natural Gas in the Western Canadian Sedimentary Basin:

We are targeting high impact, high reward natural gas Prospects. We believe that to 'go for the gold' one should explore next to the 'gold mines'. As you can see on the Discoveries Map, we're looking for our prizes in the heart of a region known for 1+ TCF discoveries – three of these discoveries were either found by or worked on by a current Rosetta team member.



Specifically, our Area of Focus is west of the fifth meridian, encompassing the deep Devonian reefs from west-central Alberta to northeast British Columbia. Rosetta's Management and Technical Team's expertise reflects both the geology and geography of Devonian exploration.

In late 2002, we decided to reduce our exploration for Foothills Prospects as they've proven too time consuming to partner on account of high drilling costs and/or environmental challenges. Our two existing Foothills Prospects remain high quality ideas waiting for the right company to seize an opportunity that fits their exploration parameters.

Core Strategy No. 5

Exploring with the Drill Bit:

We focus on true exploration. We do not follow the conventional manufacturing model to production. The manufacturing model is focused on low risk, small prize development drilling. This model yields short life reserves and corporate competency is focused on spending less capital per well.

Our corporate competencies need to be, and are, new idea generation, excellence in New Science and Technology, excellence in licensing and drilling critically sour wells, and excellence in well completions at a depth of four kilometres.

We safely drilled two deep well tests at Strachan in 2002. Our 5-17 well was unsuccessful in recovering commercial quantities of gas in the Swan Hills target zone. Our 1-21 well was unsuccessful in the Mississippian targeted zones. Both wells encountered secondary objectives which are currently being evaluated for tie in. We're working to a plan to drill two more high impact wells in 2003, drill one smaller well and do a low cost test of one of our New Play Type models. The first quarter of 2004 could also see two more high impact wells drilled.

Core Strategy No. 6

We are Managing our Business within the Context of a Risk Management Philosophy:

Our Risk Management philosophy is centered on four principles: creating value through the drilling of an Efficient Portfolio of 8-12 large Prospects, increasing the size of the prizes we find, increasing our chances of success and decreasing our finding costs.

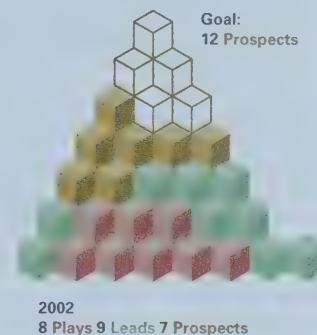
How have we done?

- We drilled two deep wells safely and with precision and thereby tested three ideas;
- We encountered secondary objectives in both wells (these secondary objectives are being evaluated for tie in);
- We added two large Prospects to our Portfolio with a cumulative

P50 unrisked potential of 242 BCF, bringing our large undrilled Prospects portfolio to five;

- We advanced a new seismic processing methodology to the alpha testing stage;
- We acquired 33,170 gross (13,334 net) acres of land in 2002;
- We completed a \$6.35 million private placement, increasing our team and directors' investment in our business plan to over \$21 million;
- As a company we continue to discipline ourselves to adhere to our eleven principles of managing risk in addition to a sub-set of theories detailed in our 2000 annual report (see Aberdeen study, page 15) with a view to maximizing returns.

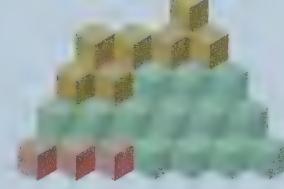
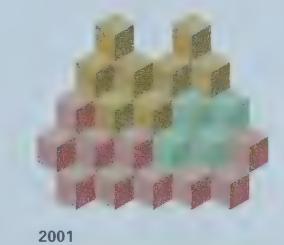
Our Project Portfolio



The following details our progress in implementing our eleven principles of managing risk over the course of 2002:

(1) Pursuing Large Reserves:

We define 'large reserves' to be 100 BCF or greater; this is why our conventional prospecting targets Devonian horizons – known for this class of discovery size. Drilling deep is very expensive and has lower aggregate 'success' rates than drilling for less costly shallower targets. What does this mean for shareholders? Our economic research, statistical analysis and review of historical success rates show that Devonian wells require only a small fraction of the wells found in shallower zones to exceed 'BCF-found-per-dollar-amount-invested' and 'MCF-per-day per dollar amount invested'. Devonian exploration with an Efficient Portfolio lowers risk and maximizes reward. Of our current inventory of seven Prospects, five have the potential to be 100 BCF or greater.



(2) Creating Sufficient Prospects for Statistical Success – Building the Efficient Portfolio:

We added two large Devonian Prospects during 2002 – Cheops and Horus – with a combined potential of 480 BCF; we added a 150 BCF Foothills Lead shared with a major, and, we added one New Play Type (Orlando).

Our anticipated drilling plans in 2003-04 provide a 73% chance of having some success.

Deep Prospecting requires time, careful thought and is capital intensive both from a geo-technical perspective and from the perspective of controlling the land position. Licensing and meeting detailed regulatory requirements prior to drilling takes more time still. Our goal of creating 8-12 *large* Prospects stood at seven at year end 2002 (including the two drilled in 2002). In the interests of balance, we are not counting the second portion of our MC Program as a 'stand-alone' Prospect this year (as the first portion has already been drilled). Also in the interests of balance, we are including the potential reserves of this 'half Prospect' into our statistical program of Prospects (as we do indeed plan to drill the second portion of the MC Program), referred to as 'MC2' in previous charts.

Current Prospects-in-waiting equate to 9 Leads and 8 Plays.

How do we speed the process of building our portfolio? One way was adding satellites that had four to seven years of work completed on their New Play Type ideas prior to joining Rosetta. Their ideas can become Prospects more quickly. Two of our New Play Types in 2002 generated two Leads and four Plays. In mid-2002 we added a second satellite.

Another avenue we're currently investigating is to swap portions of Rosetta Prospects that have longer drilling time frames for industry Prospects, or participation in Prospects that can be drilled more swiftly. Having an Efficient Portfolio of Prospects will reduce our exploration risk.

Some of our new technology, if successful, may reduce the number of Prospects required to achieve the Efficient Portfolio by increasing our success rate on existing Prospects.

(3) Drilling Multi-Zone Potential:

This is an insurance policy of sorts. Having Prospects with more than one commercially productive potential zone lowers exploration risk. Rosetta and partners are currently evaluating secondary zone gas shows discovered at 5-17 and 1-21 which could recover full exploration drilling costs and provide non-dilutive cash towards our business plan. Four of our seven Prospects have multi-zone potential.

(4) Partnering:

Our risk management approach applies to partnering on many levels. It begins with our core competency of creating 100 BCF Prospects. This means buying and interpreting seismic, building land positions and applying our Competitive Advantages. Rosetta takes an idea and makes it drillable on its own nickel. Rosetta does not believe in 'farming out its least desirable ideas' – so we invest a great deal of our own time and money into each idea before a potential partner sees it. For example, in 2002 new information caused us to undertake new internal interpretations of our Aswan Foothills Prospect and our Nile Foothills Prospect. In the case of Aswan, the re-evaluation eliminated it as a Prospect. The re-evaluation of Nile re-affirmed it as a Prospect but reduced its P10 size from 770 BCF to 214 BCF. Since inception we've spent \$15.4 million to generate 11 Prospects; \$3.8 million has been spent on disproven or stranded ideas. Rosetta only takes the high-graded portfolio to our partners for drilling – believing that to attract a good partner, we must be a good partner.

We've found that drilling a diverse portfolio of Prospects warrants working with an array of drilling partners – with varied interests and goals. A key element of Rosetta's business plan is to secure and build drilling partner relationships to avoid selling single Prospects, and our abilities, many times over. Partners were sufficiently compelled with our ideas to drill two wells at Strachan with Rosetta in 2002. There is good potential to build upon the relationships we've developed thus far.

(5) Deploying our Explorationists in a Check and Balance System:

To lower the technical risk associated with drilling a Prospect, we created a multi-step due diligence process that incorporates a balanced peer review system. This system starts with the 'champion' (the idea generator), who treats his idea as a business plan that must pass prescribed statistical and economic hurdles from the outset. The original idea receives 'Angel Capital' from the Managing Directors. If the Angel Capital investment yields results the champion can apply for 'Venture Capital' from the Risk Management Team. The champion must then manage and sell his idea up through a multi-level review process which moves through Rosetta's internal team assessments', externally to the Exploration Advisory Board, then coming back inside with the final approval/rejection decision coming from the Risk Management Team. There's also a 3M-inspired 'second chance' review available, which reduces the risk of any gems slipping away. To date, one 'second chance' review has been conducted; the project moved forward.

(6) Managing Our Business Within the Context of a Rate of Return Model:

There are two key risks to investing in oil and gas companies; the risk of losing some or all of your initial investment, and the 'risk' of not getting a reasonable return on the money you've invested. We found that historic industry rates of return on capital were sub-par; we point to the oil patch's average return on capital being 2.18% from 1985 to 1998. Our model is designed to strive for a 21% annual rate of return on capital employed, beginning in 2000. Our success in achieving this is dependent upon drilling an Efficient Portfolio (see (2)).

(7) Purchasing Production only when it Advances Exploration:

Management believes in only purchasing production that has exploration potential. Management had no occasion to purchase production in 2002.

(8) Using Science & Technology:

Rosetta's ultimate goal with Science is to use cheaper-than-seismic industry developed 'scoping' tools to review large new Lead areas, before investing significant capital on seismic. We've examined seven such tools to date of which five have piqued our interest. Of these scoping tools we are currently using (or may use again in the future) four.

For those geological ideas that pass the test of scoping tools, some seismic will be purchased and the seismic processing component of our Core Technology will be deployed to enhance the data. 2002 was particularly memorable because we saw our machine in motion. We used scoping tools on conventional projects, commenced negotiations with a company to scope a New Play Type idea in 2003, and we began alpha testing the seismic processing component of our Core Technology. The more Science & Technology can tell us about an idea, the better our ability is to make an appropriate bid at land sales.

(9) Invoke a Land Strategy Designed to Acquire Large Blocks of Inexpensive Land on our Ideas:

Our land strategy avoids the 'me-too' approach to exploration, whereby industry rushes to a major discovery area in an attempt to buy a piece of 'it', creates competition, and then pays top dollar for the 'hot' land. Rosetta is a small company playing in a big company arena, so we must take a different tact. We are seeking to make the discovery before the crowd arrives, often in 'cold' land areas. This allows us to buy enough of the land early on at low prices to control the evolution of our ideas and the timing of

the exploration process. To do this effectively we use scoping tools, New Play Type ideas, and when fully operational, the seismic processing portion of our Core Technology. An example is our Crossfield Prospect, which has taken our land strategist over three years to piece together because of the checkerboard lands in the area. This work is one of Rosetta's greatest achievements and because of it we control an 800 BCF (P10 basis) Prospect. Our goal is to drill it before year-end.

In 2002, we purchased 13,334 net acres of land; 92% of this land rests on current Leads and Prospects. In total, Rosetta now holds 250,957 gross (145,731 net) acres in western Canada.

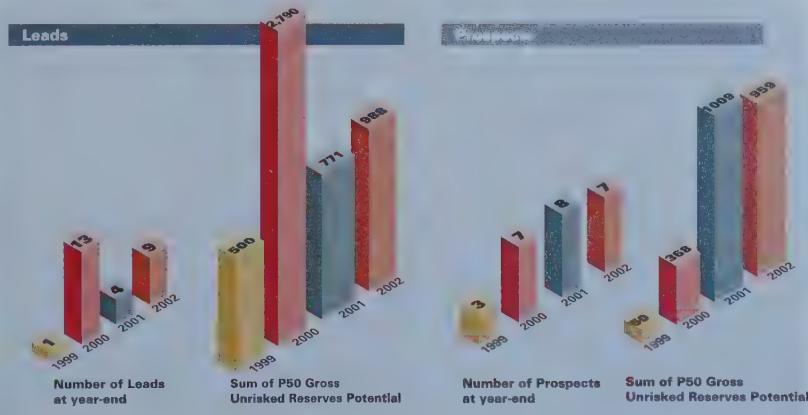
(10) Pursue a Scoping Strategy which Provides for Inexpensive Seismic Review of our Ideas:

As outlined earlier, we're using scoping tools to reduce early dependency on expensive seismic. We're hoping by mid-2003 to complete testing and begin using the seismic processing portion of our Core Technology on 2D seismic to 'see' the geology more clearly than it could be seen before. Results are intriguing and the process continues to be tested and refined. To get more access to seismic at lower cost, we entered into a 'library card' arrangement that allows us to pick from a vast inventory of seismic lines at favourable terms. By year end 2002, we'd made ten such purchases.

(11) Have the Financial Strength to Implement our Business Plan:

We successfully raised \$6.35 million in November, \$4.8 million of which was issued on a flow-through basis. The price per share was \$0.95 for non flow-through shares and \$1.00 for flow-through shares. The financing was oversubscribed.

A summary review of all of our Leads and Prospects since inception ...



Only the best Leads become Prospects ...

Board of Directors

We are pleased to welcome Alfred Balm and Michael Pfeiffer to the Board in 2002.



Mr. Alfred Balm

Chairman of the Emergo Group of Companies

As Chairman of the Emergo Group of Companies, Alfred has pursued and developed business opportunities in Asia, South America, the Caribbean, Africa and Europe. He is a previous recipient of the Distinguished Business Leader Award from the University of Calgary, Faculty of Management, and was nominated for Emerging Markets CEO of the Year Award in 1994 at the Joint Annual Meeting, World Bank and I.M.F. in Madrid. Alfred brings to the company his vast international experience as Chairman of the Board of the Emergo Group of Companies, with a variety of interests worldwide. Through Emergo Energy, the group holds a significant percentage of Rosetta. Alfred became a Rosetta Board member on September 24, 2002.



Mr. Kevin Brown

*President and Managing Director,
ARC Financial Corporation*

As President and Managing Director, Kevin has senior responsibility for ARC Financial's investment management business. Kevin is a member of ARC Financial's investment committee and sits on the Board of Directors of various ARC Canadian Venture Fund 1 and 2 investee companies. His expertise in energy industry analysis, forecasting and related strategy formation is integral to the investment decisions of the equity group. Kevin had senior responsibility for ARC Financial's investment research business over the 1993-2001 period. He was also very active in ARC Financial's corporate advisory business through the 1993-98 period and was lead advisor on several significant engagements. Prior to joining ARC Financial in 1989, Kevin worked for a major Canadian research institute for several years where he was extensively involved in the development of economic models for both world oil markets and North American gas markets. Kevin has a Bachelor of Science (Chem. Eng.) degree and a Master of Arts in Economics degree. Kevin became a Rosetta Board member on July 19, 2000.



Mr. Murph Hannon

*President of Canadian Hydrodynamics Ltd.
President of Murcon Development Ltd.*

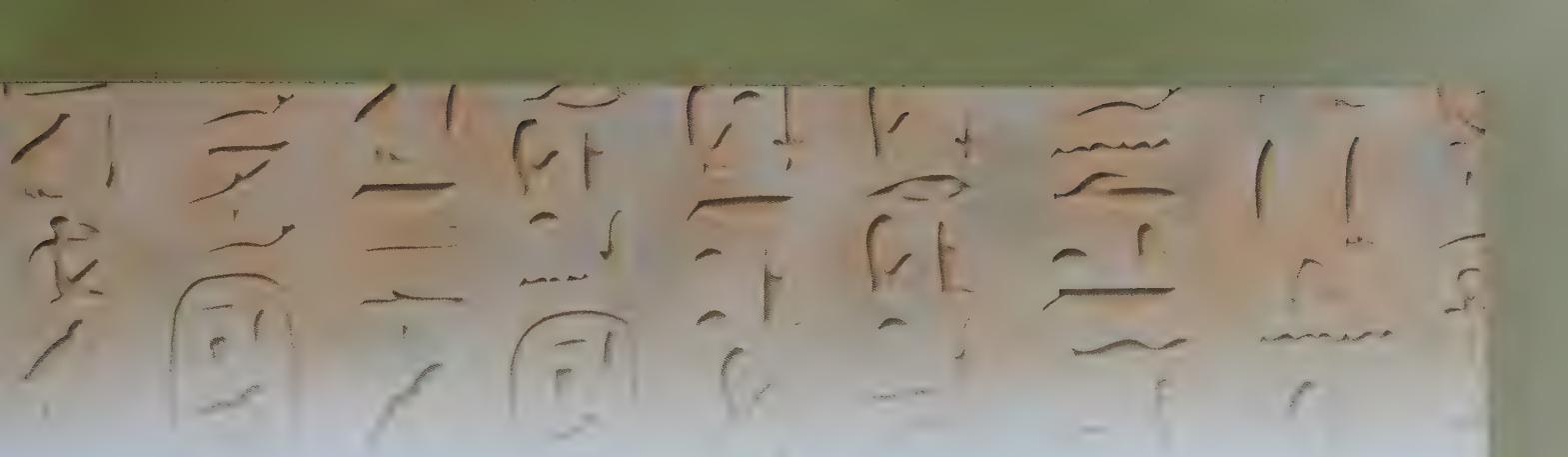
Murph is President of Canadian Hydrodynamics Ltd., a company that is home to the largest drill-stem test library for the Western Canadian Sedimentary Basin. He also leads Murcon Development, a private investment company engaged in oil and gas exploration, real estate development, and various manufacturing and product development businesses. Murph has been involved with WestJet Airlines since its inception, and sits on that company's Board of Directors. He became a Rosetta Board member on June 24, 1999.



Mr. James Malcolm

*Chairman and Chief Executive Officer,
Rosetta Exploration
Founder, President and Chief Executive Officer
(1990-98) of AccuMap EnerData Corp.*

Jim has abundant experience in building companies from the ground up. AccuMap created a software information system that revolutionized the Canadian oil industry and was twice a finalist for an Alberta Science and Technology Award. Prior to AccuMap, Jim was a Managing Director of MerBanco Inc., a merchant bank. He was President of the MerBanco venture arm and in charge of growing the investment side of the business. Jim was appointed to the Rosetta Board of Directors in January of 1999 and became CEO in April of 1999. He has never stopped pushing the team to challenge their assumptions.



Mr. Robert McKenzie

President, RSM Investments Ltd.

*Co-founder and Partner with Northridge Canada
Co-founder of MetroNet Communications
Corporation*



Bob was CEO of E-Zone Networks Inc. from July 1999 until November 2000 and Director from March 1998 to January 2001. Bob became the Executive Vice President of MetroNet Communications Corp. in 1997 and was a Director of MetroNet until its merger with AT&T in 1999. From January to December 1996, Bob was a consultant and strategic advisor to the CEO of TransCanada PipeLines Limited, prior to which he was President of TransCanada Energy Limited. Bob was a principal of and served as President of Northridge Canada Inc. and as Executive Vice President of Northridge Petroleum Marketing Inc., prior to its sale to TransCanada PipeLines. Bob became a Rosetta Board member on June 24, 1999.

Mr. Michael Pfeiffer

Engineer

*President and CEO, QC Data
Executive Vice President of the
Emergo Group of Companies*



Mike Pfeiffer is approaching his tenth year leading QC Data. Since taking office as President & CEO in 1993, he has guided the company through significant expansion and growth into its current position as the world's premier provider of outsourced data management and maintenance services for telecommunication and utility organizations. Mike has gathered some 28 years of experience in management, operations and engineering. He joined Hughes Electronics in 1975, after graduating from the University of Illinois with a degree in electrical engineering. He later completed the Loyola Marymount MBA program and various executive education programs at the University of Southern California and Stanford University. In 1990, Mike was appointed President & CEO of Hughes Canada, a role that would later draw him to his current position. Since joining QC Data, he has remained active in Calgary's leadership community and serves on various boards and educational committees. Mike is also Executive Vice President of the Emergo Group of Companies. Mike became a Rosetta Board member on September 24, 2002.

Mr. Greg Royer

President, Royco Investments Inc.

President, NRG Management Services



Another proven business builder—and a dynamic leader in Canada's hospitality industry. Greg and his brothers built one of the most successful hotel companies in Canada, the Royal Host Real Estate Investment Trust (REIT). The Royal Host REIT was created as a public entity in 1997, with the acquisition of 18 properties and an equity issue that raised approximately \$128 million. Prior to this, Greg and his brothers built the Relax chain of hotels, the Banff Rocky Mountain Resort and the Grand Okanagan Resort. His experience ranges from hotel development and construction to managing a chain of 27 hotels and resorts. Royal Host has established one of Canada's most successful sales and marketing teams. Greg has served on a number of national boards and organizations and he became a Rosetta Board member on January 24, 2000.

Mr. Jeff Smith

Professional Geologist

Self-employed Consultant and Private Investor



Jeff's career in the oil and gas industry spans 32 years and has taken him from the Foothills of Alberta to the North Sea to West Africa. Jeff has been involved in significant discoveries throughout Alberta, including the discovery and development of the Otter Slave Point oil pool and Ogston Granite Wash oil pools. Most recently, Jeff held several executive positions at Northstar Energy Ltd., becoming Chief Operating Officer in 1995. While at Northstar, he was involved with major corporate acquisitions and was part of a team that increased production from 1,400 BOE/d to 40,000 BOE/d and capital expenditures from \$15 million to over \$275 million annually. From 1998 to current, Jeff has been a self-employed consultant, private investor, and a Board member of Compton Petroleum Ltd., Provident Energy Trust, Resolute Energy Inc. (public Canadian companies), and Segue Energy Corp. (a private Canadian company). Jeff became a Rosetta Board member on May 29, 2001.

Our Exploration Advisory Board

Rosetta's Exploration Advisory Board is made up of seven well known industry specialists. They support our internal Team of Finders in the pursuit of New Play Types, Science and Technology and Conventional Geology.



Bill Ayrton, Ph.D

*Professional Geologist, Ph.D Geology
Oil & Gas Industry Lecturer
Founder & President, Ayrton Exploration
Consulting Ltd. & Flame Resources Ltd.*

Bill, a professional geologist, is a well known industry lecturer who has built an impressive array of businesses during his 38 years of exploration in western Canada. He is founder and President of Ayrton Exploration Consulting Ltd. and Flame Resources Ltd., the former President and COO of Canadian Westgrowth Ltd., the founder and former President of Flame Oil & Gas Ltd. and Flame Energy Ltd., the former VP of Exploration at Petromark Minerals and Bluesky Oil & Gas, and was the former Chief Geologist for Amoco Canada. Bill has been involved with significant oil discoveries at Rainbow, Utikima, Harmattan and Taber South and conducted the study which led, in part, to the Fir gas field discovery. Bill also initiated and supervised the Lake Erie exploration program which led to the extension of the Clinton-Cataract gas field. During his time at Petromark, over 400,000 acres of land were acquired and 364 wells were drilled with a 75% success ratio. Highlights of Bill's career also include receiving the APEGGA Frank Spragins Technical Summit Award for technical expertise and professional contribution to the industry in 1996, being elected President of the Canadian Society of Petroleum Geologists in 1976, receiving the Society's Best Oral Presentation of a Paper Award in 1973, and in 1975, being Co-Chairman of the first joint CSPG-CSEG Convention in "Advances in Exploration Technology." He was the recipient of the Calgary Convention Centre North American Award in 1981, and was granted honorary membership to the CSPG in 1999 for the beneficial impact his activities have had on petroleum exploration in Canada. Bill joined Rosetta's Exploration Advisory Board in September 2001.



Mr. Nor Hannon Jr.

*Professional Geological Engineer
Professional Geologist*

One would be hard pressed to find an individual with more experience in the oil and gas industry. Just as we at Rosetta are crafting new exploration tools in our quest for Big Gas, Nor literally pioneered the use of hydrodynamics as an exploration tool

in Canada some 42 years ago and went on to develop the Lithologic Resistance Mapping method. He served as President of Canadian Hydrodynamics for over three decades and during that time developed a comprehensive DST database that is used by 125 companies today. Nor was the first to recognize that widespread separated gas shows in the shallow Milk River formation in southern Alberta and Saskatchewan were all part of one giant natural gas accumulation, contained in over 100 townships with total reserves of 10 TCF. The Milk River accumulation is a member of a unique collection of pools considered to be primarily hydrodynamically controlled traps. Nor is credited with helping in the discovery of over 1/2 TCF in the Poco, Chinook, Sedalia and Ferrybank fields. Nor joined Rosetta's Exploration Advisory Board in June 1999.



Mr. Ralph Hughes

*Retired Professional Engineer
Former President and Vice Chairman, McDaniel & Associates Consultants Ltd.*

Ralph is well known in the Canadian oil & gas business and spent almost 40 years with McDaniel's. From 1961 to 2000, Ralph evaluated most of the reservoirs in the Western Canadian Sedimentary Basin, from Virden Roselea west to Waterton, north to Amauligak and King Christian in the Canadian Arctic, as well as Ontario, the east coast and internationally. Ralph has prepared valuation reports that were utilized in approximately \$5 billion worth of mergers, acquisitions, and public issues. He has appeared as an expert witness before the Alberta Court of Queens Bench, the 'Old Bailey', the ERCB, the Securities and Exchange Commission of the United States, the Ontario Securities Commission and many more such organizations. The appearances involved many civil suits, two fraud trials and many reserve estimates for securities prospectuses. It was Ralph who made the application to the SEC that first allowed Canadian companies to discuss probable reserves in a prospectus filed with that commission. Ralph's experience also includes being the past Chairman of APEGGA's consulting practice committee, the past Chairman of APEGGA's full experience committee of the Board of Examiners, and a retired member of APEGGA, SPE, SPEE, and CIM. Ralph joined Rosetta's Exploration Advisory Board in September 2001.



Mr. Ed McMaster

Professional Engineer

*President, McMaster Consulting Services
Former Vice-President Operations,
Shell Canada Limited*

During his 28 year career at Shell Canada, Ed gained extensive operational and technical experience in the upstream resources business including oil and gas drilling, production, reservoir, and petrophysical engineering. Ed retired from Shell Canada in 1994 in the position of VP Operations with responsibility for Shell's producing operations. Since that time he has been the President of McMaster Consulting Services, a company providing oil and gas operations management and senior management training in High Performance Work Systems developed to foster Learning Organization tenets. Ed's construction project experience included the in-situ Peace River Expansion Project. Operational sour gas experience included that of drilling foreman, production superintendent, drilling manager, and senior executive positions at Shell. Industry committee memberships included the Advisory Committee to the ERCB on Public Safety and Sour Gas, Southern Alberta Institute of Technology - Petroleum Technology Advisory Board, Chairman of the Drilling Committee of the Canadian Petroleum Association, and the Upstream Petroleum Industry Task Force on Safety. Former directorships include Peace Pipe Lines Ltd., Rainbow Pipelines Ltd., Exchange Resources Ltd., and Addison Energy Inc. In September 2002, he joined the Board of Directors of the Petroleum Industry Training Service. Ed has been a member of Rosetta's Exploration Advisory Board since November 2001.



Mr. Hugh Reid

Professional Geologist

International Petroleum Consultant

Hugh is a world renowned exploration 'drill-stem test' (DST) and hydrodynamics specialist. His training seminars in "DST Interpretation for Geologists and Engineers" have been presented in over 17 countries to more than 200 companies over the past 23 years. Hugh has over two decades of experience in DST analysis and hydrodynamics, seven years with Mobil Oil, and over 24 years as an independent DST analyst, including four years as technical manager for Delta P Test Corporation (specialized DSTs in tight gas sands). He has also authored several DST manuals and technical articles on formation damage, closed chamber DSTs in tight gas sands and exploration hydrodynamics. Hugh is a past President of the Canadian Well Logging Society, and is a member of SPE, AAPG and APEGGA. Hugh joined Rosetta's Exploration Advisory Board in June of 1999.



Mr. Allan Shepard

Retired Professional Geologist

*Former President and CEO, Canadian Wolverine Ltd.
Former Vice President Exploration, Amoco Canada
Former Vice President, Amoco Europe & West Africa*

Allan is a retired professional geologist with over 40 years of experience focused on exploration both in Canada and internationally. He was formerly VP of Exploration at Amoco Canada, Chief Geologist at Amoco International in Chicago, VP of Amoco Europe & West Africa, and was President and CEO of Wolverine Exploration's (formerly American Quasar) Canadian subsidiary, Canadian Wolverine Ltd. His work at Amoco Canada resulted in the acquisition of extensive acreage positions both abroad and in western and eastern Canada's more prospective areas, the drilling of which resulted in finding and developing major oil and gas reserves. Allan joined Rosetta's Exploration Advisory Board in September 2001.



A. Easton Wren, Ph.D.

Professional Geophysicist

Founder & former President, Petrel Consultants

Easton is now an independent consultant, geophysicist and industry lecturer who is widely recognized as a leader in the application of new seismic techniques. His career has spanned over 30 years. Easton was the founder & former President of Petrel Consultants and he has held positions with Ray Geophysical Company in Libya, the United Nations in Uganda, Amoco Canada and PanCanadian Petroleum. Easton made a technical contribution to gas discoveries in Lake Erie, the oil play in the Granite Wash at Redearth in northern Alberta, and was involved with the Cardium oil discoveries at Carrot Creek and Cyn Pem northwest of Pembina. He has lectured at U.S. and Canadian universities, has been an associate of the GSC, was elected President of the Canadian Society of Exploration Geophysicists for 1981, received the Society's Best Paper award in 1974, the Meritorious Service Award in 1977, and Honorary Membership in 1988. Easton has authored several papers on seismic processing and interpretation, is a past editor of the Journal of the CSEG and was General Chairman of the joint CSEG-CSPG Convention, Exploration Update, 1979, and was Distinguished Lecturer for the American Association of Petroleum Geologists in 1987. He is also an active member of SEG, CSEG and APEGGA. Easton joined Rosetta's Exploration Advisory Board in October 2001.

Our Team of Finders

Assumptions about geo-science are deeply rooted in one's education and experience. Our Team of Finders strive to challenge their own, and one another's, assumptions. This makes for a stronger team and better ideas.



Mr. Ross Clark

*Managing Director
Geologist
Risk Manager*

"Discovery is what really motivates me. There's nothing like the thrill of the 'Ah-ha' experience."

Ross has had several 'Ah-ha' experiences over the last 31 years in the oil and gas business. At Unocal Corporation, he participated in several major discoveries in the Norwegian North Sea totalling greater than 1 TCF of gas, the Gulf of Thailand (over 700 BCF of gas), and established an exploration framework for the Sinai Peninsula and Gulf of Suez, Egypt. He co-founded Search Energy and participated in its growth to a \$50 million company by leading a successful exploration and development team. At Coparex Canada, he established a new core area at Thornbury and worked on developing the North Cecil Charlie Lake and Kiskatinaw gas pools. Here at Rosetta, Ross heads our geo-science initiatives. He has extensive expertise in Cretaceous and Mississippian zones and provides geological overviews of all our Prospects. Ross currently serves as the co-chairman of the AAPG Education Committee, was Associate Editor of the AAPG Bulletin (1998-2000), served as the AAPG Haas-Pratt Distinguished Lecturer for 1995-96, and was an associate editor of the McGraw-Hill Yearbook of Science and Technology (1991-93). Ross has also given more than 20 oral papers and published more than 30 professional papers.



Mr. Keith Edwards

Professional Geophysicist

"It is a privilege to work with a team possessing so much talent and dedication. 2003 will be an exciting time at Rosetta as we look to reap the rewards of several years' effort."

In a career spanning 19 years, Keith has designed and interpreted many complex seismic programs and developed, designed and utilized seismic software, both as a consulting geophysicist and as a software company employee. Keith's consulting work in the Hamburg area of Alberta led to the discovery of 50+ BCF in several Slave Point discovery wells. As a geophysicist at Boyd Exploration Consultants from 2001-02, Keith focused on depth conversion and seismic for non-oil and gas exploration. As

Operations Manager at eSeis Canada from 1999-2001, he developed expertise in interpreting pre-stack data, AVO analysis, seismic inversion, and LithSeisTM for 2D and 3D projects. From 1996-99, Keith was Senior Geophysicist at AEC West, where he performed both stratigraphic and structural geophysical support and interpretation for 100+ BCF play types including the Swan Hills and Slave Point in western Canada. Keith was involved with the design of a new suite of geophysical software as a Geophysical Application Specialist at Digi-rule Inc. from 1995-96. Keith served as President of Sandlapper Support Services Ltd. from 1990-96, a company offering an extensive range of geophysical interpretive services, and held multiple positions at Geophysical Microcomputer Applications (1984-90) including Director and Corporate Secretary. Keith is Rosetta's Chief Geophysicist and has a varied background in geophysical software, interpretive processing and interpretation that serves Rosetta well. Keith presented at the 1992 AAPG National Convention and at the 2000 SEG Annual Meeting. He is a member of APPEGA, CSEG and SEG.



Mr. Rod Morris

Geologist

"Our Strachan 5-17 Swan Hills test was a major success from a technical exploration and operations perspective ... we found everything we predicted ... unfortunately, we didn't find any gas in the Swan Hills. Our next Swan Hills test is targeting a simple, classic, up dip stratigraphic trap, potentially several times larger than our Strachan Prospect was. This Prospect has been four years in the making and required a huge effort from all disciplines of the company. If it was easy it would have been discovered long ago. The fact that Rosetta now dominates this Prospect is a major accomplishment for the land and operations groups. We are currently working towards obtaining a drilling license ... let the drill bit turn."

Rod's career began in 1979 at Dome Petroleum where he was involved in a number of exploratory successes. He was a key member of the team in Dome's participation in what became Shell's Caroline discovery of over 2.2 TCF of gas. In 1987, Rod joined the Petrel Robertson group to advance his skills in hydrodynamics, reservoir evaluation and seismic. While at Petrel, he consulted to domestic and international oil companies. In 1994, he joined Mannville Oil & Gas and put the company into the Berkley-Mannville Carstairs Elkton discovery. After Mannville was sold to



We are pleased to welcome Keith Edwards to the team in 2002 as Chief Geophysicist. Paul Pedersen was promoted to Director of Engineering Services in recognition of his technical contributions to Rosetta.

Gulf in 1995, Rod became an independent businessman. Here at Rosetta, Rod leads our Swan Hills group of value creators from a geological perspective. He is a strong believer in 'conventional' geology – geology that is more widely accepted within the industry at large – yet still innovative and methodical. Rod's conventional approach has led to Rosetta's largest Prospect to date – Crossfield – slated to be drilled in mid to late 2003. Rod's presentations at the SEG, CSEG and CSPG have consistently received Honourable Mention status. In 1993, he was co-author of a paper on a new seismic acquisition, processing, and interpretation technique that won Best Paper Award at the CSEG.



Mr. Paul Pedersen

Director, Engineering Services

"Rosetta's Prospects offer big prize potential balanced with stringent hurdle rates – and we'll continue drilling them this year. Our internally generated Prospects are sound; our Satellites' Leads are convincing and can become drillable in short order; Keith's geophysical perspectives are enlightening. Working with this team, I am reminded that learning never ends – and that Rosetta's journey is just beginning."

Paul had a successful 20 year career at Ocelot Energy. As a senior reservoir specialist for over 15 years, his exposure to practical reservoir and production engineering has been extensive. Paul's disciplines of expertise include: reserves assessment and evaluations, pressure transient analysis, well production optimization, formation evaluation, application of under balanced horizontal drilling, using hydrodynamics in the exploration and development process and oil and natural gas property acquisitions and dispositions. These skills mesh on a daily basis at Rosetta, where Paul works with geologists to firm up the practical aspects of their ideas, including performing economic hurdle tests.



Mr. Grant Pitcher

Geologist

"There's an exciting interaction of professionals with concrete ideas on a daily basis – we don't always agree. That we remain friends at the end of the day can only mean that because of our growing interdependence, great things will result from our exchange of ideas."

In a career spanning some 46 years, Grant discovered the Strachan gas field with over 1.4 TCF of gas reserves, extended the Nevis D2/D3 reef field by 5 square miles and added 30% to the reserves, discovered the Nevis Cretaceous pool which produced over 500,000 barrels from the discovery well, extended the Bellshill Lake Basal Quartz oil field which led to the adding of over 95 million barrels, discovered the Birch Lake Glauconitic sand gas field which led to the development of over 2 TCF of gas reserves in the area, and discovered what became the Ponoka Viking-Colony sand fields with reserves of over 5 million barrels of oil. Grant strongly believes that there are still more than 6 TCF of reserves yet to be discovered in the Basin on his ideas alone. One such idea is a New Leduc Play Type project called 'The Squid', which advanced significantly in 2002. (See page 11 for all the details). Rosetta is focusing on New Play Types to be able to see the Basin in a new light.



Caush Xhufi, Ph.D.

Exploration Geophysicist

"Being a geophysicist is more than being knowledgeable of geophysical tools. True exploration demands that experience, motivation and passion must all come together to be successful in this business."

Caush graduated with a B.Sc. in Geophysics from Tirana University, Albania, in 1973 and went on to earn his doctorate in geophysics in 1990. As an exploration geophysicist at the State Oil and Gas Institute in Albania, he successfully explored for and evaluated new prospects for over twenty years. It was there that Caush developed his expertise in evaluating shallow and deep prospects and a wide array of hydrocarbon traps including structural and stratigraphic plays in the Albanides Thrust Belt zone, and in the Adriatic Basin. While at Chevron Overseas Albania Ltd. (1991-1993), Caush completed numerous seismic and geological interpretations in Chevron's Adriatic 4 Offshore Block. Caush was responsible for the first exploration oil well at Hekal-5, in the Hekal-Karburana field, Albania, with reserves of 150 million barrels of oil and was responsible for the Zharrez-1 well in the Patos - Marinze oil field, adding reserves of 30 million barrels of oil. Caush has significant expertise in regional exploration and evaluation, working with multi-disciplinary teams in the areas of geology and geophysics. His expertise in Structural Plays has been instrumental in more accurately defining Rosetta's Foothills group of Prospects. Caush is an active member of AAPG, EAGE and CSEG.

Our Risk / Reward Management Team

It's been said that 'everything is built upon assumptions'. While assumptions can be useful in making decisions, they're only instructive to the extent that they're valid. Our Risk / Reward Management Team believes that an unchallenged assumption is an unnecessary risk, and more to the point, a potential prize that's waiting to be discovered, validated and repeated.



Mr. Glenn Gradeen

*President & COO
Risk Manager
Engineer*

"Rosetta is not a traditional Canadian E&P company. The twenty year old manufacturing model is tired – western Canada is entering a new era of energy exploration and we believe the opportunities here are unparalleled. An old exploration business adage says that 'oil and gas is found in the minds of men' – we have the team, the minds, and the fresh approach to succeed. We have built our company on the philosophy of challenging our assumptions; on competitive advantage; on managing risk as no other Canadian E&P company does; and most importantly, on the finest group of people I've ever worked with."

Glenn held several senior management positions at Ocelot Energy Inc., including President and COO, from 1997-1999. During his tenure, he built a strong technical team and oversaw the development, optimization and successful disposition of nearly \$1 billion worth of oil and gas properties. Glenn's thorough knowledge of oil and gas property market values in western Canada continues to be a strategic asset at Rosetta. He was instrumental in developing the statistical model behind Rosetta's efficient portfolio approach to exploration. Glenn has helped raise over \$30 million in equity capital for Rosetta over the past four years, built corporate awareness within the investment community and introduced Rosetta to numerous drilling partner candidates. Glenn was formerly a Director of Ocelot Energy and a Director of Alpine Oil Services Corporation.

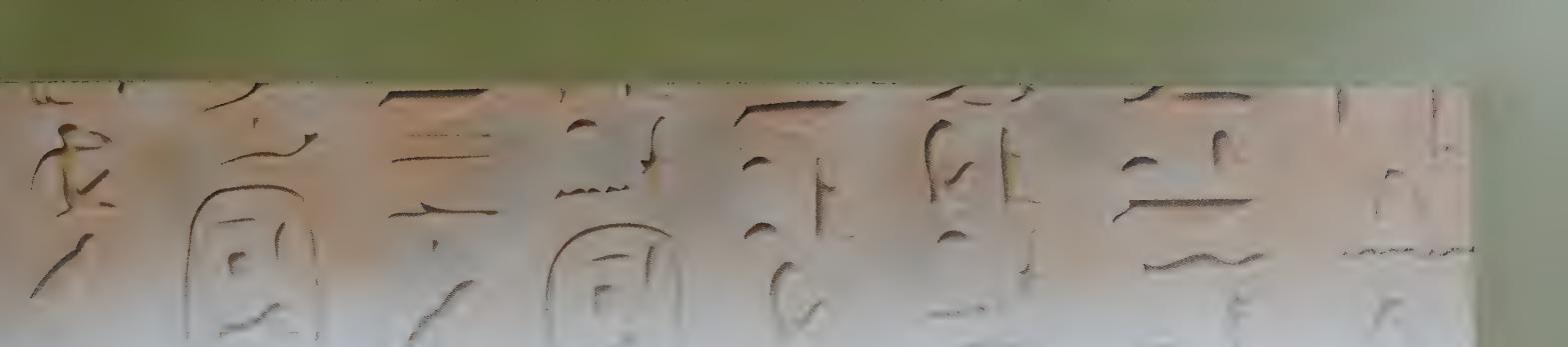


Mr. Michael Heule

*Vice President, Business Development
Risk Manager
Engineer*

"Exploring for deep Devonian targets and trying to unlock the secret in three New Play Types is an expensive and lengthy endeavour. Rosetta's challenge is to develop multiple 100+ BCF Prospects, with well-defined geological/geophysical targets and tightly controlled land positions, without the substantial financial and staff resources of a major company. We've got to deploy our limited capital and intellectual capital in the most efficient and effective manner possible. With the innovative geoscientists, creative land dealings and numerous risk management strategies employed here at Rosetta, this team will succeed in delivering wealth to shareholders."

Mike's business development skills have most recently been demonstrated via the creation and management of a long-term business model for a key New Play Type initiative at Rosetta called California. His financial, accounting and project management strengths continue to ensure that projects' resource and timing requirements align, while his knowledge of Canadian securities rules and industry-specific legal matters provide imperative 'behind the scenes' support. He also has extensive expertise in oil and gas marketing. Mike was formerly the Vice President of Marketing and Special Projects at Ocelot Energy, where he was responsible for financial and marketing functions, as well as project negotiation and management of one of Ocelot's overseas projects in Africa.



There were several promotions within Rosetta's Risk / Reward Management Team in 2002. Glenn Gradeen moved from Managing Director to President & COO, Greg Kondro moved from Operations Team Leader to VP of Operations, and Mike Heule moved from Business Development Team Leader to VP of Business Development.



Mr. Greg Kondro

*Vice President, Operations
Risk Manager
Engineer*

"Even in the best of times, developing sour gas Prospects in populated areas can be trying for both the community and the exploration company. Rosetta excels in this area because we take the time to listen to residents' concerns and follow-up on those concerns by modifying our plans to create acceptable solutions. Rosetta continues to demonstrate a strong commitment to public safety and the environment – and delivering on its promises."

Greg was formerly the Vice President of Production at Ocelot Energy. He has successfully managed and completed multi-million dollar and multi-faceted projects including drilling, facility development, infrastructure set-up and operations both domestically and internationally. Greg has expertise in full cycle field development requirements including technical and administrative aspects for oil/gas and sweet/sour environments. This work has continued at Rosetta, with the safe drilling of several deep wells in the Strachan area of Alberta. On the company's largest Prospect to date, Cleopatra, Greg is leading an extensive environmental and public consultation effort in preparation for drilling in the latter half of 2003. His proactive approach is helping to fortify Rosetta's sound reputation in collaborating with the public and partners alike. Greg's expertise also includes operating in extremely remote areas. Greg is a registered professional engineer in Alberta, British Columbia and Saskatchewan.



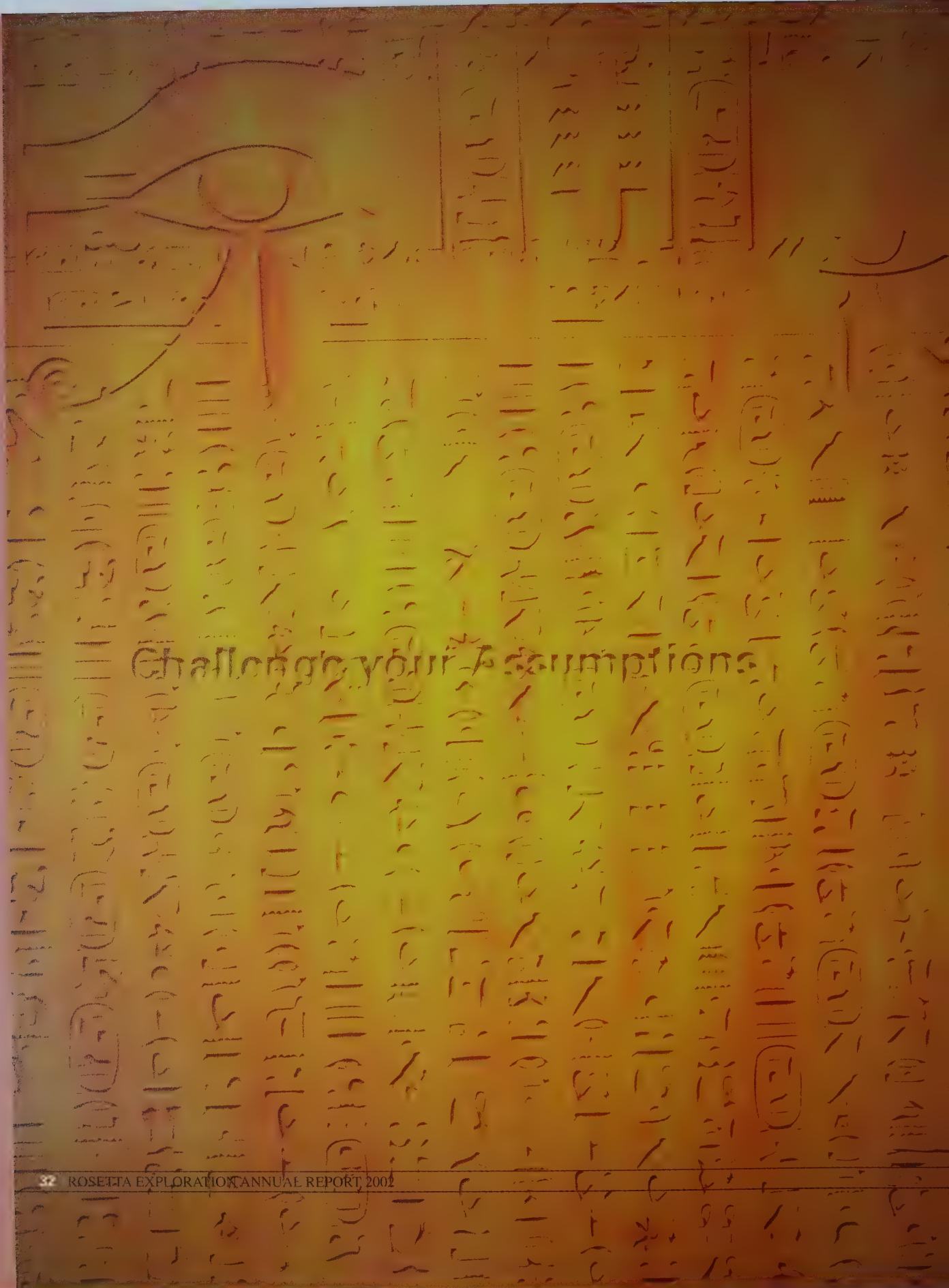
Mr. Robyn Lore

*Managing Director
Risk Manager*

*Collaborate - verb. work with another on a project.
(Collins Pocket Reference English Dictionary)*

"Collaboration is about people working together. Not necessarily to achieve a common goal, but to help one another to achieve their individual goals. There are many examples in the oil and gas business where groups must work together but do not have a common economic interest to base a partnership on. Pursuing high pressure, potentially sour gas exploration requires the collaboration of people without the lure of direct economic benefit. Companies that ignore collaboration will not succeed."

Robyn has held numerous senior positions over his past 22 years in the industry including: President of Petroland Services Ltd., Director and Corporate Secretary of New Cache Petroleum Ltd., President and Director of Aldona Resources Ltd., and President of Granisko Resources Inc. While at Granisko, Robyn grew the company from \$10,000 per month in total revenue to owning more than 100 kilometres of pipelines, 50 square miles of 3D seismic, 60,000 acres of land, a sour gas plant and effective control over the north part of the Rainbow Basin. Robyn built the technical team involved with this growth, and his 17 acquisitions and developments saw the company's assets grow in less than two years from \$1 million to an appraised value of more than \$200 million. This growth was financed by \$60 million of new capital, including \$50 million in high yield bonds. Granisko was caught when gas prices collapsed in 1994, rendering the company incapable of meeting its obligations on the high yield bonds.



Financial Reporting

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Analysis of Total Expenditures

At Rosetta, we're endeavouring to advance a group of Plays and Leads into Prospects using conventional means and by investing in New Play Types and Science & Technology.

It is true that investing in Science & Technology shifts some of the burden of risk from our drilling partner to Rosetta as the prospecting partner. This is because our Science & Technology will cause us to drop more Prospects, Leads and Plays without the need for drilling. Similarly, investing in an Efficient Portfolio increases the chances of success for our partners. This is consistent with our beliefs that to attract good partners, we've got to be a good partner.

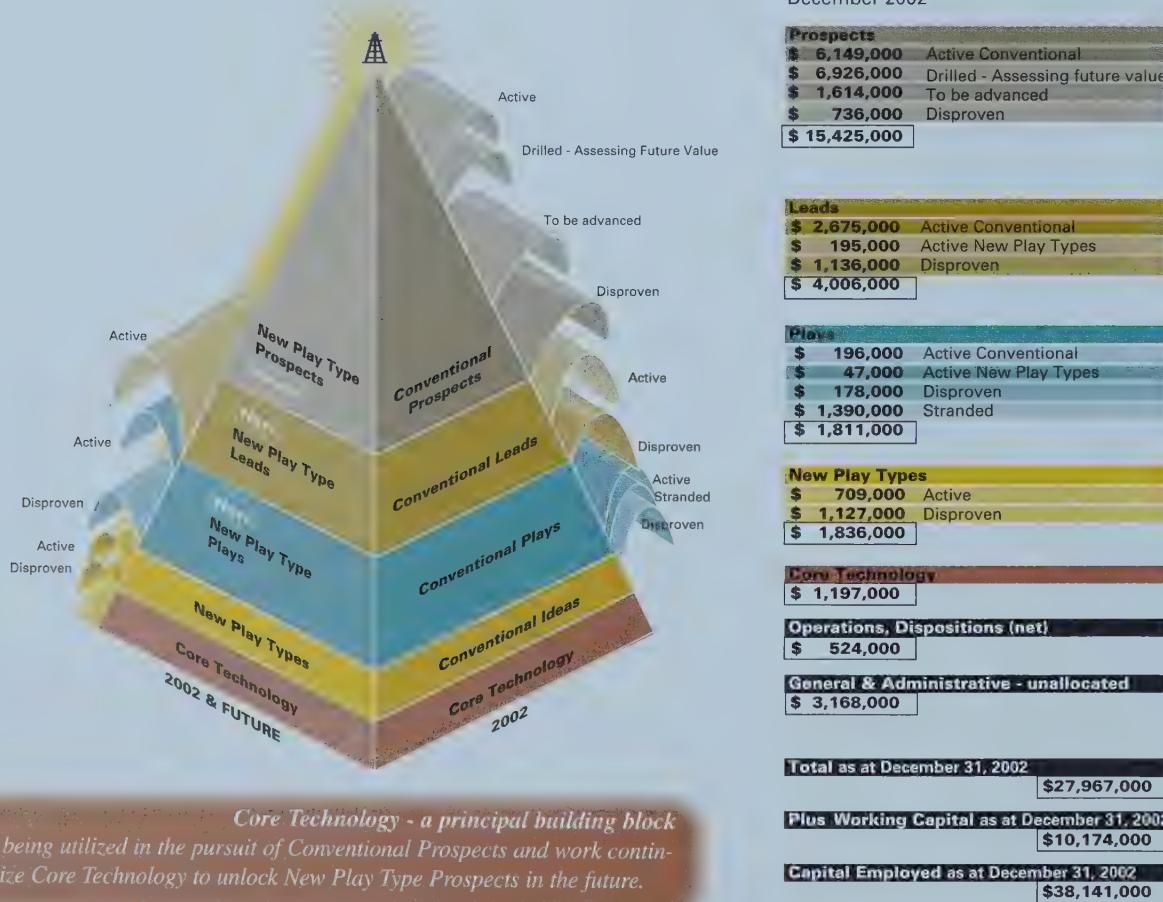
To date we've examined a total of 72 ideas, including 19 third party ideas. 55 of these ideas had potential to be 100 BCF or greater. This process has produced 11 drillable Prospects and four New Play Types. Currently we have five large undrilled Prospects representing 906 BCF on a P50 basis (that number becomes 959 BCF including our two smaller Prospects), nine Leads representing 988 BCF (P50)

of potential future Prospects, and three New Play Types with a global potential of over six TCF (P50).

The following graph focuses on the allocation of Rosetta's total expenditures (capital expenditures plus allocated G&A) across Conventional and New Play Type Plays, Leads and Prospects, and Core Technology. It shows investments that have become 'stranded', 'disproven' based upon new information and/or drilling results, 'to be advanced' pending further work and, investments associated with our targeted near term drilling program - what we refer to as being 'active'.

'Stranded' projects means that some land assets become stranded because they're no longer supporting a current project. Stranded projects also occur when we bid at land sales on acreage we consider to be of 'A' and 'B' quality and are only successful on our bid for the 'B' acreage. Management considers the 'B' acreage stranded until the 'A' land purchaser defines activity on their lands.

Rosetta's challenge is to constantly allocate and reallocate monies between our ideas. This means that projects compete for funds and our daily/weekly circumstances dictate our judgement of best use of funds. The industry is fluid and when an opportunity appears, it will have a narrow window to it.



Metrics of Success

Our Target Metrics

1. An annual 21% after tax rate of return on capital employed;
2. A finding cost of under \$0.25/MCF;
3. Net reserves per share of 10 MCF and an aggregate enterprise value of \$360 million; and,
4. Net reserves per employee of 20 BCF at the end of our drilling program.

2002 Metrics Review

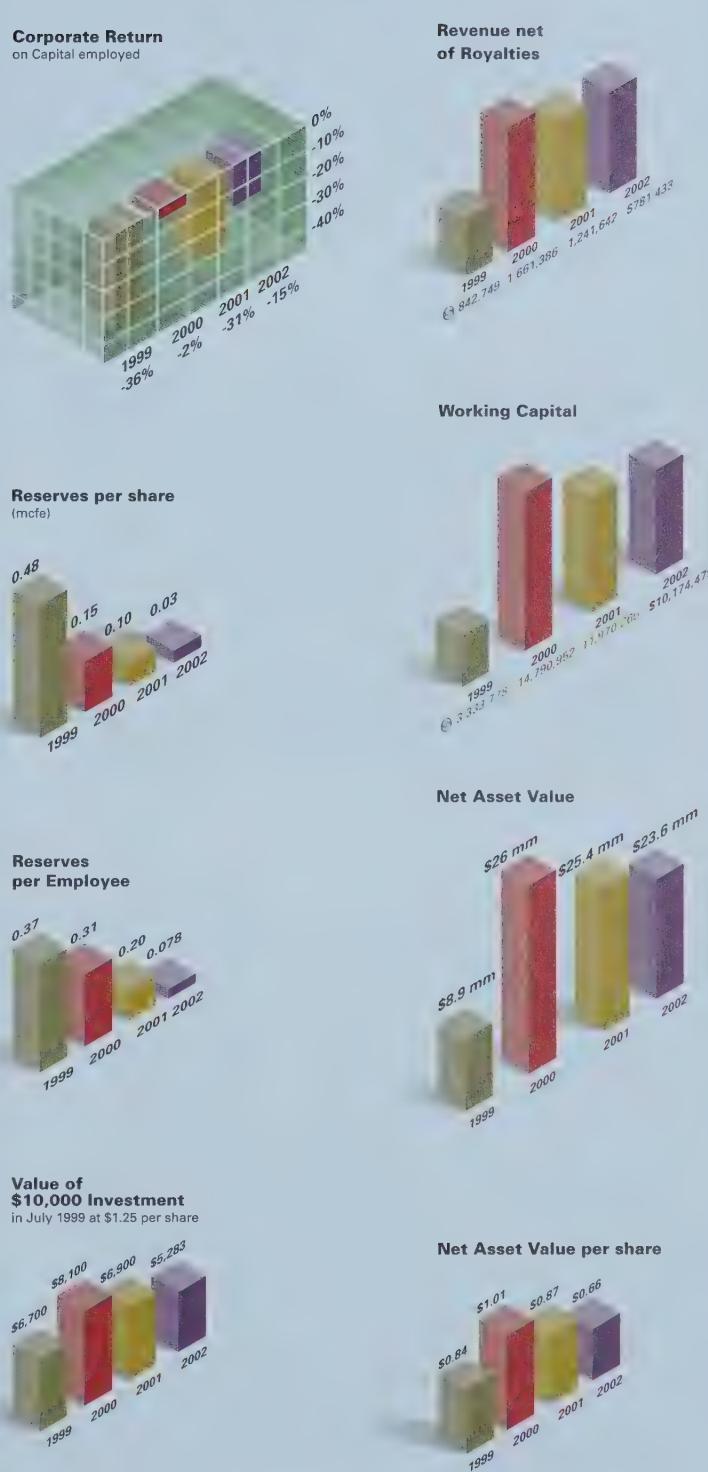
Our successful \$6.35 million equity financing in November 2002 added some 6.4 million outstanding shares to our share capital account. To address the resultant dilution to shareholders, we increased our third metric – from the goal of being a \$250 million company into being a \$360 million company (and in so doing, maintaining the '\$10 stock' ideal).

All four of Rosetta's metrics are designed to report on our business plan of exploration and monetization. Return on capital and finding costs are critical measures. The real test began, but did not end, in 2002, with the drilling of two wells. 5-17 was unsuccessful in its primary zone, and its secondary zone evaluation is underway for tie in. 1-21 was also unsuccessful in its primary zone; secondary zone evaluation is underway for tie in. As a result, while writing this report, our finding cost 'results' are not material as no independent evaluation of drilling results of these two wells has been conducted.

While we continued to move closer to developing twelve 100 BCF or greater Prospects, in 2002, our metrics of success continue to be disappointing. Our rate of return metric continues to chart negative territory and our reserves metrics continue to decline as well. Until such time as Rosetta has a successful exploration well, the metric review will be below expectations.

A \$10,000 investment in Rosetta has become \$5,283. This is a net asset value measurement and assumes the investment was made when new management invested their funds in July 1999 at \$1.25 per share. This calculation is done on a pre-tax liquidation basis and includes only land, geophysics, proven reserves and working capital. A large portion of net asset value is working capital, which declines with capital expenditures.

The goal of setting bold metrics and stretching goals is to clearly communicate our commitment and our vision. Only time, blood, sweat and tears will determine our ability to achieve them.

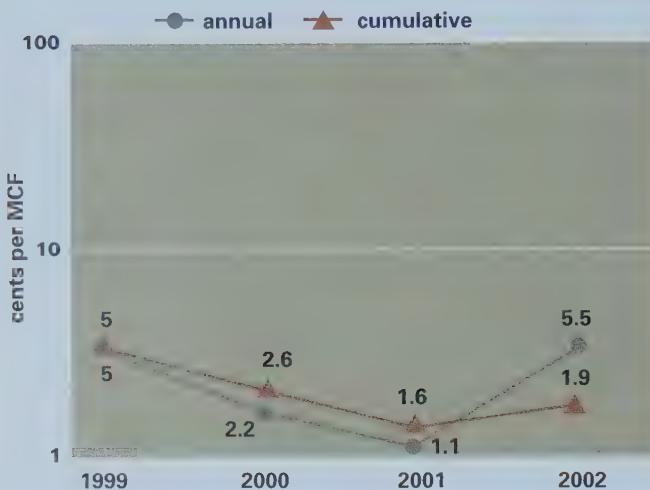


Exploration Cost

Our Prospect Generation Metric identifies the Company's cost of finding an MCF of gas for our recognized Prospects. It sums land, seismic, geology, competitive advantage and total G&A from July 1999, and is divided by the gross P50 prize potential of Prospects generated since July 1999. The premise of the metric is to internally measure how effectively we're investing our funds.

Our 2002 annual Prospect Generation Cost of 5.5 cents per MCF was higher than prior years due to the downward revision to the size of our Nile Prospect and the deletion of our Aswan Prospect. The addition of Cheops and Horus to our Prospect inventory in 2002 was accomplished at a Prospect Generation Cost of 2 cents per MCF, a value that is consistent with our cumulative (from July 1999) Prospect Generation Cost of 1.9 cents per MCF.

Total Expenditures per MCF of Prospect



Financial and Operating Highlights	2002	2001	2000
Financial			
(\$, except shares)			
Revenue, net of royalties	781,433	1,241,642	1,661,386
Cash Flow used in operations	(2,259,952)	(1,591,740)	(583,453)
Cash Flow per share	(0.07)	(0.06)	(0.03)
Loss	(3,578,255)	(7,567,603)	(385,289)
Loss per share	(0.12)	(0.29)	(0.02)
Capital Expenditures, gross	5,449,044	6,072,482	7,298,189
Shares:			
Weighted average outstanding	30,268,809	25,777,141	19,948,085
Year end outstanding	35,731,202	29,299,675	25,676,475
Year end fully-diluted	38,354,002	31,458,475	27,667,275
Operating			
Total Proven Reserves (MCFE)	1.2	1.6	3.0
Proven + 1/2 Probable (MCFE)	1.2	2.8	3.9



Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and notes presented in this report to shareholders. For purposes of MCFE equivalent, oil and ngl volumes have been converted on the basis of 1 barrel equals 6 mcf of gas.

Overview

Rosetta's focus during 2002 was split between the development of Core Technologies, the development of Plays, Leads and Prospects through both Conventional Exploration and New Play Types, and the drilling of two of the Company's Prospects, being the Strachan 5-17-38-9W5 Swan Hills test (wet in the primary target zone of the Swan Hills) and the Strachan 1-21-38-9W5 MC Program test (wet in the primary target zone of the Elkton). The post drilling completion and evaluation of secondary zones in both of these wells is ongoing. Since this evaluation has not yet been completed, the Company's results reflect only the existing operations.

Cash flow from operations during 2002 remained in a negative position with production expenses, general and administrative and interest expense exceeding production and interest revenues. The Strachan 2-22-38-9W5 well remained the primary source of revenue generation during 2002, accounting for approximately 87% of the Company's production and associated revenue. Should completion and evaluation operations of the secondary zones at both 5-17-38-9W5 and 1-21-38-9W5 prove successful, it is the Company's intent to tie-in these wells as soon as possible in 2003 to generate additional revenues and reduce the cash drain on the Company.

To continue to pursue the Company's various Plays, Leads and Prospects, cash remains a key component. A considerable amount of time and effort was spent in 2002 pursuing the objective of adding to the Company's financial resources and therefore its sustainability. These efforts included

securing drilling partners for the 5-17-38-9W5 and 1-21-38-9W5 wells; reviewing and selling certain non-critical assets; and, pursuing non-primary objectives in 5-17-38-9W5 and 1-21-38-9W5 wells for completion and tie-in for the potential cash flow. Rosetta also completed an equity offering in November 2002 for net proceeds of \$5,956,217 and exited the year at December 31, 2002 with a working capital position of \$10,174,479. Because Rosetta is in the business of investing in the land, geology and geophysics of developing high impact Prospects it will be necessary for Rosetta to experience drilling success, sell assets, or raise equity to continue this process on an ongoing basis.

Revenue

Petroleum and natural gas revenue was \$572,327 as compared to \$803,848 for the prior year. The decrease was a result of declines in both production volumes and price. Gas daily production declined to 359 mcf/day from 432 mcf/day in 2001.

Approximately one third of the production decline was due to the Strachan 2-22-38-9W5 well being shut in for approximately four weeks during the summer due to low prices and two thirds attributable to natural production decline. The average gas price for 2002 was \$4.25 per mcf as compared to \$4.97 per mcf last year.

Revenue was also generated by two low working interest wells in the Chambers area that were acquired as a result of the default on the promissory note from the Coast Pacific Geo-Exploration Limited ("Coast") transaction. For the second half of 2002, these wells produced at an average 64 mcf/day.

Interest income for the year was \$232,451, down from \$485,546 in 2001 due to the decrease in average cash balances and the reduction in interest rates.

Operating Expenses

Operating expenses for the year ended December 31, 2002 were \$259,048 as com-

pared to \$254,943 for the year ended December 31, 2001.

As a result of the volume decrease, the per mcf cost rose to \$1.96 from \$1.58 in the prior year.

General and Administrative Expenses

General and administrative expenses of \$2,670,167 in 2002 were an increase of less than 5% from \$2,545,336 in 2001. The Company continues its policy of not capitalizing any expenditures.

Interest expense

Interest expense of \$87,858 was a result of the flow-through shares issued in 2001. The Company renounced the expenditures to the investors at the end of 2001 and incurred the qualifying expenditures during the year of 2002. The unspent portion of the expenditures incurs an interest amount payable to the government until the funds are fully spent.

There will be a similar interest expense during 2003, as the Company issued flow-through shares and renounced the expenditures to the investors at the end of 2002.

Depletion, Depreciation, and Site Restoration

Depletion and depreciation was \$1,273,315 as compared to \$5,986,515 for 2001. Last year included a writedown of \$5,050,000 on the Company's assets whereas the current year includes a writedown of \$200,000 in the carrying value of certain seismic assets. During 2002, \$2,811,076 was spent on the drilling of two of the Company's Prospects. This amount was excluded in both the depletion and ceiling test calculation, as it is premature at this point to assess the results. Once the evaluation has been completed, an assessment will be completed as to whether there is impairment in the net book value of the assets.

Continued on next page

At December 31, 2002, the Company estimates that the cost of future site restoration on existing properties is \$300,000 and is recording a provision for this in its financial statements based on its actual production.

Ceiling Test

A ceiling test calculation is performed to ensure that the net book value related to the Company's reserves does not exceed the estimated future net revenue of the Company's proven reserves less site restoration and abandonment costs, and general and administrative costs. At December 31, 2002, with constant commodity pricing of \$6.29 per mcf of gas, and excluding the undeveloped land, seismic assets and current expenditures relating to the drilling of the two prospects, the Company's reserve value exceeded its net book value related to the reserves.

To the end of 2002, the Company had incurred \$2,811,076 of drilling costs on two wells that are not fully evaluated. The completion of these wells and their evaluation has not been finalized and therefore the Company has excluded these expenditures from an impairment test. The Company reviews the carrying value of its assets on a quarterly basis for the purposes of determining impairment. It is anticipated that preliminary results of the completion of these wells will be finalized during the first half of 2003 and an assessment will be made at that time on the future net revenue as compared to the net book value.

An impairment test was calculated separately for both the undeveloped land and seismic assets. An independent land evaluation provided a value of \$7,113,700, which compared to the net book value of the equivalent amount.

At the end of 2002, the Company's net book value for its seismic assets was \$4,871,268. Since the majority of the carrying value relates to non-proprietary seismic, an evaluation is done on a prospect by prospect basis to determine any impairment. This evaluation resulted in a writedown of \$200,000 on certain seismic assets resulting in a net book value of \$4,671,268 at the end of the year. Also included in this net book value is a total of \$580,000 that has been spent for the exclusive use of proprietary technology

that is currently being developed by a third party. This technology provides a new approach to seismic processing which ultimately could increase the chances of exploration success.

Income and Other Taxes

Based on its capitalization, the Company paid \$43,000 of Large Corporations Tax during the year. The Company has a total of \$12,000,000 of tax pools and \$5,500,000 of non-capital losses available for deduction against future taxable income.

Loss

The Company had a loss of \$3,578,255 (\$0.12 per share) for the year ended December 31, 2002, versus a loss of \$7,567,603 (\$0.29 per share) in 2001. The 2001 loss included the \$5,050,000 write-down in the book value of oil and natural gas properties as a result of a ceiling test shortfall.

Cash Flow Used in Operations

In 2002, cash expenses exceeded net petroleum and natural gas revenue and interest income, resulting in cash flow used in operations of \$2,259,952 compared to \$1,591,740 in 2001.

Capital Expenditures

The Company's capital expenditures in 2002 were \$653,344 on land, \$1,549,131 on seismic, \$2,811,076 on the current drilling project and \$451,012 on equipment and other.

In addition, during 2001, the Company had purchased Coast and had sold its producing property in exchange for cash and a promissory note. In 2002, the purchaser defaulted on the outstanding note in the amount of \$168,488 and therefore Rosetta has acquired working interest in the producing property, which has minor reserves. Included in cash flow is \$40,141 of net revenue from this property. Coast was amalgamated with Rosetta effective January 1, 2003.

Liquidity and Capital Resources

At the end of the year, the Company raised a net amount of \$5,956,217 million through the issuance of 1,635,527 common shares and 4,796,000 flow-through shares. The flow-through proceeds of \$4,796,000 were renounced to investors and the Company has until the end of 2003 to expend these proceeds on qualifying exploration expenditures.

The Company commenced the year with a working capital of \$11,970,265, raised net equity of \$5,956,217, and spent \$2,259,952 on operations and \$5,492,051 on capital. This left the Company with a working capital of \$10,174,479 to commence the 2003 capital program.

Management and the Board of Directors are aware that Rosetta's business plan requires ongoing capital and the risk to the Company if the Company were unable to secure further capital. The addition of new cash freely deployable into the Company's business plan and maintaining a strong balance sheet are fundamental to success. Capital is required to continue to pursue new Plays and New Play Types; to advance the Company's existing Plays, Leads and Prospects; to retain as high a working interest in each drilling Prospect as possible; and, to secure high quality drilling partners on favorable terms. The objective of adding to the Company's financial resources will continue to be one of its priorities in 2003.

Recent Financial Reporting Developments

In December 2002, the CICA approved Section 3110, Asset Retirement Obligations. Section 3110 is effective for fiscal years beginning on or after January 1, 2004 and requires liability recognition for retirement obligations associated with the Company's pipeline facilities and equipment. These obligations are initially measured at fair value, which is the discounted future value of the liability. This fair value is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the Company expects to settle the retirement obligation. The total impact on the Company's financial statements has not yet been determined.

Auditors' Report

To the Shareholders of Rosetta Exploration Inc.

We have audited the consolidated balance sheets of Rosetta Exploration Inc. as at December 31, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Calgary, Alberta
March 27, 2003
Chartered Accountants

Rosetta Exploration Inc.

Consolidated Balance Sheets

December 31

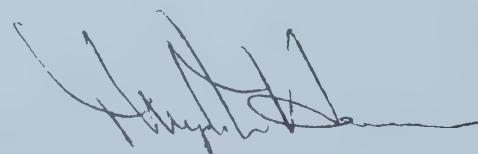
	2002	2001
Assets		
Current		
Cash and cash equivalents (note 5)	\$ 8,738,991	\$ 12,188,238
Short-term investments (note 6)	4,000,000	-
Accounts receivable (note 12)	2,423,245	233,000
Employee loans (note 7)	16,000	28,250
Promissory note (note 4)	-	184,007
Prepaid expenses and deposits	90,648	86,590
	<hr/> 15,268,884	<hr/> 12,720,085
Property and equipment (notes 8 and 14)	15,450,349	11,231,613
	<hr/> \$ 30,719,233	<hr/> \$ 23,951,698
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 5,094,405	\$ 749,820
Provision for site restoration and abandonment	130,008	103,708
	<hr/> 5,224,413	<hr/> 853,528
Commitments (note 11)		
Shareholders' Equity		
Share capital (note 9)	38,524,793	32,549,888
Deficit	(13,029,973)	(9,451,718)
	<hr/> 25,494,820	<hr/> 23,098,170
	<hr/> \$ 30,719,233	<hr/> \$ 23,951,698

See accompanying notes.

On behalf of the Board,



James A. Malcolm
Director



Murph N. Hannon
Director

Consolidated Statements of Operations and Deficit

Year Ended December 31

	2002	2001
Revenue		
Petroleum and natural gas sales	\$ 572,327	\$ 803,848
Royalties, net of ARTC	(23,345)	(47,752)
	<u>548,982</u>	<u>756,096</u>
Interest income	<u>232,451</u>	<u>485,546</u>
	<u><u>781,433</u></u>	<u><u>1,241,642</u></u>
Expenses		
Production	259,048	254,943
General and administrative	2,670,167	2,545,336
Interest	87,858	-
Depletion and depreciation (note 8)	1,273,315	5,986,515
Site restoration	26,300	33,148
	<u>4,316,688</u>	<u>8,819,942</u>
Loss for the year before income taxes	<u>(3,535,255)</u>	<u>(7,578,300)</u>
Income taxes (note 10)		
Capital taxes	43,000	35,353
Future income tax recovery	-	(46,050)
	<u>43,000</u>	<u>(10,697)</u>
Loss for the year	<u>(3,578,255)</u>	<u>(7,567,603)</u>
Deficit, beginning of year	<u>(9,451,718)</u>	<u>(1,884,115)</u>
Deficit, end of year	<u><u>\$ (13,029,973)</u></u>	<u><u>\$ (9,451,718)</u></u>
Loss per share – basic and diluted (note 9)	<u><u>\$ (0.12)</u></u>	<u><u>\$ (0.29)</u></u>

See accompanying notes.

Consolidated Statements of Cash Flows

Year Ended December 31

	2002	2001
Operating		
Loss for the year	\$ (3,578,255)	\$ (7,567,603)
Non-cash administrative	18,688	2,250
Depletion and depreciation	1,273,315	5,986,515
Site restoration	26,300	33,148
Future income tax recovery	-	(46,050)
Funds used in operating activities	(2,259,952)	(1,591,740)
Changes in non-cash working capital (note 13)	(647,370)	135,414
	<u>(2,907,322)</u>	<u>(1,456,326)</u>
Financing		
Issue of common shares, net of issue costs	5,956,217	4,355,956
Purchase of short-term investments	(4,000,000)	-
Employee loans for purchase of shares	(16,000)	(28,250)
Employee loans repaid	28,250	18,100
	<u>1,968,467</u>	<u>4,345,806</u>
Investing		
Expenditures on undeveloped land	(653,344)	(2,436,444)
Expenditures on seismic	(1,549,131)	(1,331,399)
Expenditures on major development project	(2,811,076)	-
Expenditures on existing reserves	(307,767)	(1,418,990)
Expenditures on equipment	(127,964)	(41,360)
Expenditures on office equipment	(15,281)	(238,630)
Proceeds on promissory note	15,519	-
Acquisition of Coast Pacific (note 4)	-	(1,443,368)
Proceeds on disposal of subsidiary (note 4)	-	837,709
Proceeds on disposal of property and equipment	141,000	226,000
Changes in non-cash working capital (note 13)	2,797,652	234,222
	<u>(2,510,392)</u>	<u>(5,612,260)</u>
Decrease in cash and cash equivalents	(3,449,247)	(2,722,780)
Cash and cash equivalents, beginning of year	12,188,238	14,911,018
Cash and cash equivalents, end of year	\$ 8,738,991	\$ 12,188,238

See accompanying notes.

Notes to the Consolidated Financial Statements

December 31, 2002

1. Nature of operations

Rosetta Exploration Inc. (the "Company") is engaged in the exploration for and production of petroleum and natural gas predominately in Western Canada. The Company was incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries; Villam Resources Co., a Montana corporation and Coast Pacific Geo-Exploration Limited. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Property and equipment

i) Capitalized costs

The Company follows the full cost method of accounting for its petroleum and natural gas operations. Under this method, all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized on a country-by-country basis, being Canada and the United States. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both productive and non-productive wells and equipment costs. Proceeds from the sale of properties are applied against capitalized costs and gains or losses are not recognized unless such sale would alter the depletion rate by more than 20%.

ii) Depletion and depreciation

Depletion and depreciation of undeveloped land, seismic and producing assets, net of estimated salvage or residual value, is provided using the unit-of-production method based upon estimated gross proven petroleum and natural gas reserves as determined by independent engineers. In determining its depletion base, the Company includes the cost of undeveloped land at the rate of 20% per year. The cost of a major development project is excluded until an economic evaluation has been completed. For depletion and depreciation purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

Office equipment is depreciated on a declining balance basis over its estimated useful life at rates varying from 20% to 50%.

iii) Impairment test

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of its producing assets, net of recorded future income taxes and the accumulated provision for future site restoration and abandonment costs, is compared annually to an estimate of future net revenues from the production of gross proven reserves. The cost of a major development project is excluded until an economic evaluation has been completed. Net revenues are estimated using prices and costs in effect at year end without escalating or discounting, less estimated future general and administrative expenses, financing costs, future site restoration and abandonment costs and income taxes. Should this comparison indicate an excess in the carrying value, the excess is charged against operations in the period as additional depletion and depreciation.

Undeveloped land and seismic are excluded from the ceiling test. For undeveloped land, an independent land evaluation is compared to the Company's net book value. The majority of the seismic is non-proprietary and therefore, the carrying value of the seismic is reviewed on a prospect-by-prospect basis and is written off when it is determined that the prospects are impaired.

b) Measurement uncertainty

The amounts recorded for depletion and depreciation of property and equipment, the provision for site restoration and abandonment and the ceiling test are based on estimates of gross proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. These estimates are reviewed regularly and changes in such estimates in future years could be significant.

c) Site restoration and abandonment costs

The estimated cost of site restoration and abandonment of petroleum and natural gas properties is based on the current cost and the anticipated method and extent of site restoration in accordance with existing legislation and industry practice. Estimated future site restoration and abandonment costs are accrued on the unit-of-production method based on gross proven reserves. The provision is recorded on the statement of operations. Future site restoration and abandonment expenditures are charged to the accumulated provision as incurred.

Notes to the Consolidated Financial Statements

December 31, 2002

2. Summary of significant accounting policies *(continued)*

d) Joint operations

Substantially all of the exploration and production activities of the Company are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

e) Flow-through shares

A portion of the Company's exploration activities is financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to the share subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the benefits renounced to subscribers. The tax effect of the renouncement is recorded when the corresponding exploration expenditures are incurred.

f) Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change is substantively enacted.

g) Per share amounts

The Company utilizes the treasury stock method in the determination of diluted per-share amounts. Under this method, the diluted weighted average number of shares is calculated assuming that proceeds arising from the exercise of in-the-money options and other dilutive instruments are used to purchase, for cancellation, common shares of the Company at their average market price for the period.

h) Foreign currency translation

The Company's foreign operations are considered integrated and are translated into Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates in effect on the dates the assets were acquired or liabilities were assumed. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income when incurred.

i) Stock options

The Company has a stock based compensation plan, which is described in note 9. As options granted to employees under the plan are issued at current market value, the options have no intrinsic value. Therefore, no compensation expense is recorded when the options are granted. Consideration paid to the Company on the exercise of stock options is credited to share capital.

Direct awards of stock to employees and stock option awards granted to non-employees under the plan are accounted for in accordance with the fair value method of accounting for stock-based compensation.

The fair value of direct awards of stock are determined by reference to the quoted market price of the Company's stock and the fair value of stock options are determined using the Black-Scholes option pricing model.

3. Change in accounting policy

Effective January 1, 2002 the Company adopted CICA Handbook section 3870 - Stock-based Compensation and Other Stock-based payments. As permitted by CICA 3870 the Company has applied this change prospectively for new awards granted on or after January 1, 2002. The Company has chosen to recognize no compensation when stock options are granted to employees and directors under stock option plans with no cash settlement features. However, direct awards of stock to employees and stock and stock option awards granted to non-employees have been accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock and the fair value of stock options is determined using the Black-Scholes option-pricing model. In periods prior to January 1, 2002, the Company recognized no compensation when stock options were issued to employees. Pro forma information regarding earnings is required and has been determined as if the Company had accounted for its employee stock options granted after December 31, 2001 under the fair value method (see note 9).

Notes to the Consolidated Financial Statements

December 31, 2002

4. Acquisition

In June 2001, the Company acquired all of the issued and outstanding shares of Coast Pacific Geo-Exploration Limited ("Coast") for total cash consideration of \$1,762,895 including \$89,661 of acquisition costs. The transaction was accounted for using the purchase method. Related to this transaction, the Company sold certain Coast assets to an unrelated third party in exchange for a \$999,999 promissory note plus interest, of which \$821,957 plus interest of \$15,752 was received.

The note, due on January 4, 2002, was not paid and therefore the Company realized on the collateral, being the underlying assets. The outstanding principal on the note in the amount of \$168,488 has been included as a cost of the property and equipment.

The net proceeds from these transactions have been allocated as follows:

	2001
Cash	\$ 319,527
Non-cash working capital	77,572
Promissory note receivable	1,021,716
Property plant and equipment, net	349,880
Future site restoration	(5,800)
	<u>\$ 1,762,895</u>
Less: cash acquired	(319,527)
Cash outlay for acquisition	\$ 1,443,368
Proceeds on note receivable	(837,709)
Net cash outlay (proceeds)	<u>\$ 605,659</u>

5. Cash and cash equivalents

	2002	2001
Cash in bank	\$ 1,774,841	\$ 1,221,178
Term deposits	<u>6,964,150</u>	<u>10,967,060</u>
	<u>\$ 8,738,991</u>	<u>\$ 12,188,238</u>

The term deposits outstanding as at December 31, 2002 have terms of less than 90 days and bear interest at an average rate of 2.5% (2001 - 2.1%).

6. Short-term investment

The short-term investment of \$4,000,000 bears interest at the bank's prime rate, less 2%, and matures in November 2003.

At December 31, 2002, the interest rate was 2.5%.

7. Employee loans

Pursuant to the Company's Employee Share Purchase Plan ("ESPP"), employees have the opportunity to contribute up to 10% of their annual base salary into the ESPP and the Company will match the employees' contributions. The employee's portion can be in the form of a minimal interest-bearing loan, which is required to be repaid within a one year period.

8. Property and equipment

December 31, 2002

	Cost	Accumulated depletion and depreciation	Accumulated impairment	Net
Canadian cost centre				
Land	\$ 7,937,195	\$ 846,000	\$ -	\$ 7,091,195
Seismic	6,507,265	727,697	1,108,300	4,671,268
Drilling	9,116,988	1,246,765	4,558,713	3,311,510
Equipment	675,538	521,449	-	154,089
United States cost centre	917,689	344,914	572,775	-
Office equipment	557,862	335,575	-	222,287
	<u>\$ 25,712,537</u>	<u>\$ 4,022,400</u>	<u>\$ 6,239,788</u>	<u>\$ 15,450,349</u>

Notes to the Consolidated Financial Statements

December 31, 2002

	December 31, 2001			
	Cost	Accumulated depletion and depreciation	Accumulated impairment	Net
Canadian cost centre				
Land	\$ 7,274,065	\$ 436,000	\$ -	\$ 6,838,065
Seismic	4,958,134	294,797	908,300	3,755,037
Drilling	5,998,142	1,125,965	4,558,713	313,464
Equipment	529,876	515,149	-	14,727
United States cost centre	917,689	344,914	572,775	-
Office equipment	542,580	232,260	-	310,320
	\$ 20,220,486	\$ 2,949,085	\$ 6,039,788	\$ 11,231,613

As at December 31, 2002, undeveloped land includes \$2,378,239 (2001 - \$3,323,699), which has been excluded from the depletion calculation.

The Company did not capitalize any general and administrative costs during 2002 and 2001.

As at December 31, 2002, drilling includes \$2,811,076 for a major development project (December 31, 2001 - nil), which has been excluded from the depletion and ceiling test calculations pending completion of the Company's economic evaluation.

At December 31, 2002, the Company reduced the carrying value of its seismic assets by \$200,000 (2001 - \$900,000). As a result of the ceiling test calculation in 2001, the Company reduced the carrying value of its Canadian producing assets by \$4,058,713 and its United States petroleum and natural gas properties by \$91,287.

9. Share capital

a) Authorized

Unlimited number of Class A and B common shares, no par value

Unlimited number of Class A preferred shares, issuable in series, no par value

b) Issued

Class A common shares	Number of Shares	
Balance – December 31, 2000	25,676,475	\$ 28,191,681
Exercise of stock options	3,000	4,500
Flow-through Class A common shares (i) (iv)	3,620,200	4,525,250
Share issue costs	-	(171,543)
Balance – December 31, 2001	29,299,675	\$ 32,549,888
Private placement (ii)	1,635,527	1,553,751
Flow-through Class A common shares (iii) (iv)	4,796,000	4,796,000
Contributed surplus	-	18,688
Share issue costs	-	(393,534)
Balance – December 31, 2002	35,731,202	\$ 38,524,793

Notes to the Consolidated Financial Statements

December 31, 2002

9. Share capital (continued)

- i) During 2001, 3,620,200 flow-through Class A common shares were issued at \$1.25 per share for gross proceeds of \$4,525,250.
- ii) During 2002, 1,635,527 Class A common shares were issued at \$0.95 per share for gross proceeds of \$1,553,751.
- iii) During 2002, 4,796,000 flow-through Class A common shares were issued at \$1.00 per share for gross proceeds of \$4,796,000.
- iv) The Company records the tax value of qualifying expenditures renounced under flow-through agreements as a cost of capital when the qualifying expenditures are incurred. Effective December 31, 2001 the Company renounced \$4,525,250 in respect of shares issued in 2001 and incurred the qualifying expenditures in 2002 with a future tax adjustment of \$1,906,000. Effective December 31, 2002 the Company renounced \$4,796,000 in respect of flow-through shares issued in 2002. Of the amount renounced in 2002, \$993,500 was incurred to December 31, 2002 and the remaining qualifying expenditures of \$3,802,500 will be incurred in 2003. The tax effect of these qualifying expenditures has been reduced by previously unrecognized tax assets of \$2,324,500.

c) Options outstanding

The Company has a stock option plan, administered by the Board of Directors, in which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the plan, the options that have been granted expire at the earlier of September 29, 2005 or 30 days (six months for those granted in 1999) from the date from which the optionee ceases to be a director, officer, employee or consultant of the Company.

The following table summarizes the option vesting terms:

Year Granted	Number of Options	Vesting terms
1999	440,000	Immediately
2000	1,222,800	One-third per year commencing June 1, 2001
2001	140,000	One-third per year commencing June 30, 2002
2001	160,000	One-third immediately and one-third each anniversary
2002	480,000	One-half immediately and one-half on June 1, 2003
2002	180,000	One-third immediately and one-third each anniversary
	2,622,800	

Shares have been reserved for the following outstanding stock options:

Year ended December 31, 2002			Year ended December 31, 2001		
	Shares	Weighted-Average Exercise Price \$		Shares	Weighted-Average Exercise Price \$
Opening	2,158,800	1.44		1,910,800	1.42
Cancelled	(196,000)	1.45		(92,000)	1.34
Granted	660,000	1.14		340,000	1.50
Closing	2,622,800	1.36		2,158,800	1.44

The following summarizes information about stock options outstanding as at December 31, 2002:

Exercise Price \$	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
1.00	580,000	2.7	1.00	273,333	1.00
1.25	480,000	2.7	1.25	480,000	1.25
1.50	1,562,800	2.7	1.50	1,016,126	1.50
	2,622,800	2.7	1.36	1,769,459	1.35

Notes to the Consolidated Financial Statements

December 31, 2002

9. Share capital (continued)

During the year ended December 31, 2002, the Company granted 610,000 options to directors, officers and employees. For the purposes of pro-forma disclosure, the estimated fair value of the options is recognized over the vesting period of the option. Had the fair value method been used, the Company's loss and loss per share for the year ended December 31, 2002 would have been reduced by the following pro-forma amounts:

Pro-forma loss	\$181,000
Pro-forma loss per share	\$0.01

The value of the stock options granted was determined using the Black-Scholes option-pricing model and resulted in a total pro-forma cost of \$362,300 (before income tax) based on the following assumptions: risk free interest rate of 6%; expected term of 2.7 years; weighted average stock volatility ranging from 100% to 122%; and expected future dividends of \$0.00/share.

During the year ended December 31, 2002, the Company granted 50,000 options to a non-employee in recognition of consulting services rendered. The Company has recorded \$18,688 in compensation expense in connection with this transaction.

d) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year of 30,268,809 (2001 - 25,777,141). In computing diluted per share amounts, all of the Company's 2,622,800 (2001 - 2,158,800) outstanding options were excluded from the calculation of the weighted average number of common shares outstanding as they were considered to be anti-dilutive.

10. Income taxes

The Company's computation of income tax expense is as follows:

	2002	2001
Expected income tax recovery at 42.12% (2001 - 42.62%)	\$ (1,485,575)	\$ (3,208,561)
Resource allowance	188,561	234,468
Other	21,045	(38,085)
Capital taxes	43,000	35,353
Non-capital losses unutilized	<u>1,275,969</u>	<u>2,966,128</u>
Income tax (recovery)	<u>\$ 43,000</u>	<u>\$ (10,697)</u>

Components of future income taxes

The Company has not recognized net future tax assets as reflected by the valuation adjustment reported below. The net future tax asset (liability) is comprised of:

	2002	2001
Differences between tax base and reported amounts of depreciable assets		
Non-capital loss carryforwards	\$ 2,400,453	\$ 1,762,062
Provision for future site restoration	54,759	44,200
Share issue costs	275,767	230,858
Net book value of assets in excess of tax basis	(1,157,282)	-
Tax basis of assets in excess of net book value	-	885,856
Valuation adjustment	(1,573,697)	(2,922,976)
Liability per financial statements	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2002, the Company has approximately \$12,000,000 in tax pools and \$5,500,000 in non-capital losses available for deduction against future taxable income.

Non-capital losses expire as follows:

2005	\$ 700,000
2006	1,500,000
2007	600,000
2008	1,300,000
2009	1,400,000
	<u>\$ 5,500,000</u>

Notes to the Consolidated Financial Statements

December 31, 2002

11. Commitments

The Company has the following annual rental commitments on office premises pursuant to a lease, which expires on October 31, 2003:

2003	\$108,300
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12. Financial instruments

a) Fair values of financial assets and liabilities

Financial instruments of the Company consist mainly of cash and cash equivalents, accounts receivable, employee loans, promissory note and accounts payable and accrued liabilities. As at December 31, 2002 and 2001 there are no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values. The Company has not entered into any hedging contracts.

b) Credit risk

The majority of the Company's accounts receivable are in respect of oil and natural gas operations. The Company generally extends unsecured credit to these customers, and therefore, the collection of accounts receivables may be affected by changes in economic or other conditions and may accordingly impact the Company's overall credit risk. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Company has not experienced any material credit loss in the collection of receivables in the past.

13. Change in non-cash working capital

	2002	2001
Accounts receivable	\$ (2,190,245)	\$ 966,314
Prepaid expenses	(4,058)	(16,685)
Accounts payable and accrued liabilities	4,344,585	(657,565)
Working capital acquired from Coast (note 4)	-	77,572
	<u>\$ 2,150,282</u>	<u>\$ 369,636</u>

The change in non-cash working capital has been allocated to the following activities:

	2002	2001
Operating	\$ (647,370)	\$ 135,414
Investing	\$ 2,797,652	\$ 234,222

14. Related parties

- a) The Company paid approximately \$80,000 (2001 - \$334,477) during the year for a cumulative total of \$580,000 (2001 - \$500,000), to a private corporation that two directors of the Company are significant shareholders of, in return for exclusive use of the proprietary technology being developed for a minimum of two years. This amount is included in the seismic category in property and equipment.
- b) The Company purchased an undeveloped property from one of its officers for cash consideration of \$100,000. The property was valued pursuant to an independent evaluation.
- c) The Company purchased an interest in a royalty from one of its employees for cash consideration of \$44,000 and sold to the employee a working interest in the same leases for cash consideration of \$48,000. These transactions have been recorded at their exchange amounts.
- d) The Company farmed out to a corporation, under normal industry standards, a working interest in one of its wells currently being drilled. An officer of the Company was one of the debenture holders who provided cash to the corporation that farmed in on the well. This transaction was recorded at its exchange amount.

Definitions

Here's how to decode our Rosetta Stone

Throughout this annual report you've come across the terms 'Play', 'Lead', and 'Prospect' time and again. More than technical jargon, these terms represent the heart of Rosetta. We're seeking to develop an Efficient Portfolio of Prospects, and we have developed our own, very specific definitions to these words. A **Play** represents the early stages of an exploration concept that is being actively pursued and which could result in a drillable Prospect. A Play consists of an idea which may graduate into a Lead, but more often, a Play consists of a family of potential Leads and Prospects with similar geologic characteristics. We devote a great deal intellectual capital here, but nominal dollar capital at this point. Plays evolve into... **Leads**, meaning a potential Prospect that requires additional G&G work to evaluate its viability. When our team agrees that the Lead is firming up, we begin spending significant geo-technical capital and develop a land strategy for it. At this point, we'll likely acquire sufficient land to secure the Lead should it develop into a drillable Prospect. Leads graduate into... **Prospects**, meaning the location is defined, 90% of the technical work is complete, significant land is owned and the location is ready to be drilled.

Rosetta Satellite – an independent geoscientist, possessing values similar to Rosetta's, who has worked a number of years on developing a new large exploration idea. Rosetta then applies its resources and risk management principles to turn the idea into a drillable Prospect.

Competitive Advantages - Science & Technology and New Play Types:

Science & Technology – the licensing, acquisition and/or development of science and technology (not generally accessible to others) which increases our chance of exploration success and/or decreases our capital expenditures (finding costs).

New Play Type – A geological concept that does not conform with the conventional interpretation of the geology of the WCSB but which, if proven true, could lead to discoveries of greater than one TCF. New Play Types and Science & Technology form two of three corporate building blocks to Rosetta creating and drilling 100 BCF Prospects.

'Conventional' Prospecting / Geology -

Our third corporate building block to creating and drilling 100 BCF Prospects, Conventional Prospecting uses well established or 'mainstream' geologic models, often with an innovative approach that could unlock a large discovery for Rosetta. Our Crossfield Prospect is a good example of a Prospect grounded on the established Swan Hills geologic model.

COS - (Chance of Success) -

Our estimate of the chance of a successful drilling result for a particular Prospect or the combined chance of success for a drilling program. It is based on our geoscientists' determination of such attributes as hydrocarbon charge, reservoir rock, trap, etc. For each Prospect, we estimate the COS as being the likelihood or chance of a discovery. The potential reserves range, if we have a discovery, considers both deterministic and probabilistic evaluations.

Deterministic Reserve Estimates – When calculating reserves ranges for a Prospect, our geoscientists use a deterministic approach estimating ranges for parameters such as areal extent, net pay, porosity, hydrocarbon saturation, etc. This results in a range of 'Low', 'Expectation' and 'High' for potential reserves for a Prospect. We then balance this with a probabilistic review of potential reserves.

P-value – Estimating with Probabilistic Ranges – The P-value for a Prospect, Lead or Play, as used in this document, is the likelihood of a successful discovery being greater than or equal to the value given. In this report we often quote a 'P-50' statistical significance level. This means that if the event is successful, then we would expect to achieve the anticipated result, or greater, 50% of the time. Alternatively, a 'P-10' statistical significance level means that if the event is successful, then we would expect to achieve the anticipated result, or greater, 10% of the time, and for a 'P-90' statistical significance level, we would expect that reserves value, or greater, 90% of the time. Stated differently, for a particular Prospect, we would expect a successful drilling result to discover the P-50 reserves value, or more, five times out of ten, and that we have an 80% confidence level of a successful result discovering between the P-10 and the P-90 reserves values. These ranges are particularly important for a portfolio program of independent Prospects such as Rosetta's. Given a sufficiently large program and valid assumptions for each Prospect, it's possible to estimate the chance of SOME success over the course of the program and what the range of expected outcomes might be.

Abbreviations:

bcf	billion cubic feet
bcfe	billion cubic feet equivalent
boe	barrel of oil equivalent
mcf	thousand cubic feet
mcfe	thousand cubic feet equivalent
tcf	trillion cubic feet
AAPG	American Association of Petroleum Geologists
AEUB	Alberta Energy & Utilities Board
APEGGA	Association of Professional Engineers, Geologists and Geophysicists of Alberta
CIM	Canadian Institute of Mining
CSEG	Canadian Society of Exploration Geophysicists

CSPG Canadian Society of Petroleum Geologists

EAGE European Association of Geoscientists & Engineers

ERCB Energy Resources Conservation Board

GSC Geological Survey of Canada

PESGB Professional Exploration Society of Great Britain

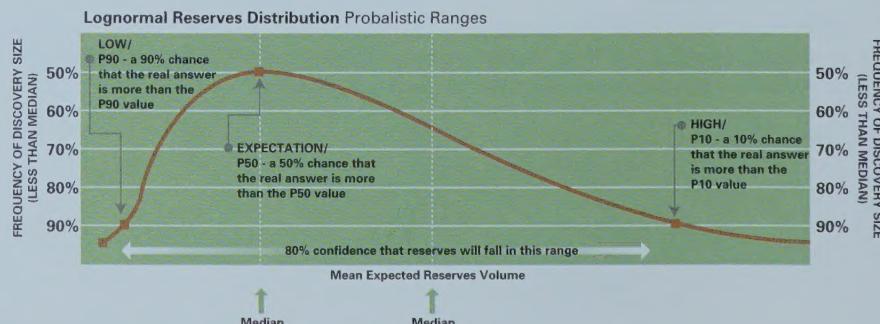
SEG Society of Exploration Geophysicists

SPE Society of Petroleum Engineers

WCSB Western Canadian Sedimentary Basin

Equivalents:

1 barrel of oil = 6 mcf of gas



Shareholder Information

Stock Exchange Listing

TSX Venture Exchange

Trading Symbol: RSA

Registrar and Transfer Agent

CIBC Mellon

Calgary, Alberta

Investor Relations

Christian Brown

Communications Team Leader

(403) 221-7709

E-mail: cbrown@rosettaexploration.com

Corporate Information

Corporate Head Office

Suite 2100, 801 - 6th Avenue S.W.

Calgary, Alberta T2P 3W2

Telephone: (403) 221-7700

Fax: (403) 221-7719

www.rosettaexploration.com

Committees

Audit Committee

The Audit Committee reviews and recommends approval of the Company's financial statements to the Board of Directors in addition to ensuring that appropriate internal controls over accounting and financial reporting systems are met. Members of this committee are Kevin Brown, Murph Hannon and Bob McKenzie.

Compensation Committee

The Compensation Committee guides the salary level of officers and employees, awards stock options to personnel and reviews the general competitiveness of the Company's compensation and benefits plan. Members of this committee are Kevin Brown and Greg Royer.

Governance Committee

In 2002 a corporate Governance Committee was formed. The committee primarily oversees corporate disclosure practices, securities trading practices and an effective system of accountability. Members of this committee are Jeff Smith and Greg Royer.

Risks

The Company's future exploration and development success cannot be predicted with certainty and crude oil and natural gas prices may change significantly in the future. Rosetta's ability to meet its primary objective of maximizing shareholder wealth is influenced by a number of factors, including the Company's ability to find oil and gas reserves economically and produce or monetize them efficiently. The oil and gas industry involves a wide variety of business risks which impact all participants and their financial viability. These

Bankers

Royal Bank of Canada

Calgary, Alberta

Auditors

Ernst & Young LLP

Calgary, Alberta

Legal Counsel

Macleod Dixon

Calgary, Alberta

Reserves Consultants

Reliance Engineering Group Ltd.

Calgary, Alberta

Officers

Mr. James Malcolm

Chairman of the Board &

Chief Executive Officer

Mr. Glenn Gradeen

President & Chief Operating Officer

Mr. Ross Clark

Managing Director

Mr. Mike Heule

Vice President, Business Development

Mr. Greg Kondro

Vice President, Operations

Mr. Robyn Lore

Managing Director

Mr. Robert Malcolm, Q.C.

Secretary

Board of Directors

Mr. James Malcolm

Chairman of the Board

Chief Executive Officer

Mr. Alfred Balm

Chairman of the Emergo Group of Companies

Mr. Kevin Brown

President and Managing Director,

ARC Financial Corporation

Mr. Murph Hannon

President of Canadian Hydrodynamics Ltd.

President of Murcon Development Ltd.

Mr. Robert McKenzie

President, RSM Investments Ltd.

Partner with Northridge Canada

Mr. Michael Pfeiffer

President and Chief Executive Officer, QC Data

Executive Vice President of the Emergo Group of Companies

Mr. Greg Royer

President, Royco Investments Inc.

President, NRG Management Services

Mr. Jeff Smith

Professional Geologist

Director of: Compton Petroleum Ltd.,

Provident Energy Trust, Resolute Energy Inc.,

Segue Energy Corp.

Annual and Special Meeting

The Annual and Special Meeting of

Shareholders will be held on Thursday,

June 12, 2003 at 1:30 p.m. in the Marquis

Room of the Fairmount Palliser Hotel,

133 - 9th Avenue S.W., Calgary, Alberta.

A wide-angle photograph of a desert landscape. In the foreground, large sand dunes with distinct dark shadows from the sun create a textured, undulating pattern. In the background, a range of mountains is visible under a clear blue sky with a few wispy clouds.

Challenge your Assumptions